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U.S.-China Post to Monitor Soviet Missiles Disclosed

By Philip Taubman
WASHINGTON — The United States and China are jointly operating an electronic intelligence-gathering station in China to monitor Soviet missile tests, according to U.S. officials.

Secretary of State Alexander M. Haig Jr. announced that the United States had decided in principle to sell arms to China. The United States had previously sold China only nonlethal military equipment.

Operation of the facility, which was not mentioned by Mr. Haig, brought the two nations into a sensitive, secret military relationship during the Carter administration.

Peking Urges Talks On Border Quarrel

By Michael Weisskopf
WASHINGTON — Within hours after repeating three days of talks with U.S. officials, China picked up its "USSIA CARD" by calling for negotiations with Moscow to settle the Sino-Soviet border dispute.

The People's Daily article proposing to pacify the hostile border issue was seen here as a signal to Washington that China has other diplomatic options to consider so long as the United States still talks about upgrading relations with Taiwan and considers its request for an improved fighter plane.

The idea was pressed again after the overthrow of the Iranian government in 1979. This time, officials said, the Chinese agreed, provided the facilities were manned by Chinese technicians and built and operated in secret.



U.S. special envoy Philip C. Habib, right, held talks on the Syrian missile crisis Thursday in Jerusalem with Prime Minister Menachem Begin, left, at the latter's office. Second from left is Israeli Foreign Minister Yitzhak Shamir and next to him is U.S. Ambassador Samuel Lewis.

Begin Allows Habib More Time To Resolve Syrian Missile Crisis

By William Claiborne
JERUSALEM — Prime Minister Menachem Begin of Israel said Thursday that even though U.S. diplomatic efforts to defuse the crisis over the deployment of Syrian missiles in Lebanon had failed so far, he promised U.S. special envoy Philip C. Habib some more time to resolve the impasse.

Comments on Sunday
At an election rally in Netanyahu Sunday, Mr. Begin said that when Mr. Habib returned to Israel, he would ask the envoy, "Are you moving them [the missiles] or not? If you don't move them, then we will move them."

U.K. Strikes to Continue
LONDON — Britain's civil servants, locked in the 15th week of a pay dispute, voted by a big majority Thursday to step up selective strikes, but decided against an all-out, two-week walkout.

U.S. and Iraq Join UN Move On Israeli Raid

UNITED NATIONS, N.Y. — The United States and Iraq agreed Thursday on a compromise Security Council resolution to condemn but not punish Israel for its raid on an Iraqi nuclear reactor.

replied that condemnation without sanctions would be hard to accept. In return for his concessions, Mr. Hammadi was assured of a U.S. vote against Israel. The United States, in turn, was spared the damage to its credibility in the Arab world that a veto of a stronger resolution would have caused.

Inspection Asked
Diplomats said the resolution also calls on Israel to refrain in the future from any such acts and to open its own nuclear facilities to international inspection as Iraq did.

On any compromise, Arab diplomats believed that President Saddam Hussein of Iraq would have to make the decision. The New York Times reported. The diplomats said that he might be influenced by a prospect of improved relations with the United States, among other things.

Limit to Patience

The party newspaper, according to diplomats, publicly put the "American officials on notice that though China proved flexible during the recent days of talks to allow bilateral relations to press without resolution of the issue, there is a limit to Peking's patience."



U.S. Secretary of State Alexander M. Haig Jr. stands before the wreath he laid at the tomb of the unknown soldier at a cemetery for American and Philippine war dead in suburban Manila.

Haig Denied Send-Off

Mr. Haig chose not to see Mr. Reagan at the airport Wednesday. President Reagan said in a television address that he still has friendly feelings for Taiwan and intends to "live up to" the "responsibility" of allowing the United States to sell weapons to it.

ASEAN Outlines Cambodia Plan

By Henry Kamm
MANILA — Five non-Communist nations of Southeast Asia concluded a conference Thursday night in which they laid the groundwork for their approach to next month's session at the United Nations on Vietnam's continuing occupation of Cambodia.

interests of Vietnam but the beginning of a common effort to enhance the longer-term interests of the region. said Carlos P. Romulo, foreign minister of the host Philippines. "ASEAN urges Vietnam to see the light of reason."

Reaction Strong
[Vietnam reacted strongly to Mr. Holdridge's comments, United Press International reported. "Mr. Holdridge's statement means that the United States, in collusion with China, is preparing for intervention in Cambodia," Radio Hanoi said.

Japan to Hold Maneuvers in Pacific

KYO — The United States and Japan will join in 14 days of drills along Japan's southern coast beginning Monday, the Japanese government said Thursday.

Mitterrand Says Iraq Must Accept Strict Nuclear-Power Safeguards

By Ronald Koven and Jim Hoagland
WASHINGTON POST SERVICE

PARIS — President Francois Mitterrand said Tuesday that France would agree to reconstruct the Iraqi nuclear center destroyed by Israel only if Iraq would first agree to the same strict safeguards against any possible military use that will apply to all future French nuclear sales.

international law, I can only express my reprobation for Mr. Begin's initiative. "Of course, I would consider the matter differently if it were shown that Israel were in real and present danger because of a possible diversion by Iraq of nuclear technology for military purposes. But that has not been demonstrated, to say the least."

The new French president also said that, as a friend of Israel, he regrets that Israeli Prime Minister Menachem Begin did not place more confidence in him to respect Israel's security interests. He expressed particular bitterness that the first international crisis that he has had to confront as president should come from a country toward which he has always been friendly.

Mr. Mitterrand recalled that he had protested the contract with Iraq while he was in the opposition. He said he had been unaware until Tuesday, when he read it in a newspaper, of a secret clause of the French-Iraqi nuclear arrangements giving France the right through 1989 to inspect the nuclear installations in Iraq. Had he been informed before of that clause, he said, he might have been less severe in his judgments about the previous French government's sale to Iraq.



The official portrait, released this week, of French President Francois Mitterrand.

that there was no possibility of imminent physical danger to Israel. He said the death of a French technician in the Israeli raid was itself enough to justify French protest.

BP Stock Issue

British Petroleum offers £600 million in new shares, in the largest proposed new stock issue ever by a British or U.S. company. Page 7.

U.S. Budget Fight

President Reagan's attack on House Speaker Thomas P. O'Neill Jr. appears to have galvanized Democrats in opposition to Republican budget proposals. Page 3.

Dancin'

Parisian women who like dancing don't have to wait for the men in their lives to invite them; they can go to a tea-dance club and find other partners. Weekend will tell you where. And for women or men stay-at-homes on Mediterranean shores, there is an article on swordfish, now in season, with a few recipes.

Tehran Says Bani-Sadr Missing

TEHRAN — President Abolhasan Bani-Sadr, who faces parliamentary moves to remove him from office, has gone into hiding and may have fled the country, the office of the Tehran revolutionary prosecutor said Thursday night.

clergymen who spearheaded the Islamic revolution. The Majlis (parliament), where Mr. Bani-Sadr's opponents are in control, is preparing a formal debate on his competence. A resolution against him would call on Ayatollah Khomeini to remove him from office.

The president's office was closed Tuesday by order of Mr. Lajvardi's office. Mr. Bani-Sadr's aides, at least eight of whom have been reported arrested in recent days, have not been available for comment since Monday.

U.S.-Soviet Relations Appear to Get Worse

By Hedrick Smith
New York Times Service

WASHINGTON — President Reagan's decision to supply arms to China and his comments on Eastern Europe have deepened the chill in Soviet-American relations and may have reduced the administration's prospects for deterring armed Soviet intervention in Poland.

Both the president and Secretary of State Alexander M. Haig Jr. sought to cushion the impact of the new move toward China on the already strained Soviet-American relationship by describing the new policy on arms sales to Peking as "a normal part of the process of improving our relations" with China and a policy that would evolve at a "slow and measured and prudent" pace.

But privately other high officials acknowledge Moscow's acute sensitivity to a developing Sino-American partnership in the military field. They acknowledge that Mr. Haig's announcement Tuesday in Peking will "confirm the worst fears" of hard-liners in the Kremlin and deepen their sense of mistrust toward the new administration, at least until it becomes clear how far it intends to go.

Soviet Ambassador Anatoly F. Dobrynin met with acting Secretary of State Walter Stoessel Jr. Wednesday to protest the U.S. plan to lift restrictions on arms sales to China. Tass called the American move "a provocative decision" which along with the president's press conference statements "confirmed anew that the Washington administration intends to continue pursuing its dangerous course on aggravating international tensions."

Unsettled Seen
Soviet specialists here concede that Moscow was bound to have been made extremely uneasy by Mr. Reagan's latest off-the-cuff comments that the prolonged turmoil in Poland represents "the first beginning cracks" in Soviet domination of Eastern Europe.

That kind of remark from an American president, some Soviet specialists observed, is likely to harden the Kremlin's resolve to curb the reform movement in Poland and possibly to push ahead with military intervention despite the possible bloodshed, economic sabotage and upheaval that is likely to ensue.

Some administration officials contended that one significant deterrent to Soviet military intervention in Poland was the risk that such action would push the United States and possibly other Western powers into closer military and strategic partnership with China.

For that reason, these officials favored holding off any shift in arms policy to China for a while. But that approach was reportedly overruled at the highest levels because Mr. Haig and finally Mr. Reagan were persuaded that it was important to show China more active collaboration on an anti-Soviet strategy now.

The rationale, some officials say, was that Moscow had already adjusted to the idea of Sino-American military cooperation after the

mission to Peking of former Defense Secretary Harold R. Brown in January, 1980, though that was longer on symbolism than concrete cooperation.

More fundamentally, Reagan administration policymakers have evidently discounted the hazard to Soviet-American relations which have been at a low ebb since the Soviet intervention in Afghanistan in December, 1979, and its decision of former President Jimmy Carter to withdraw from the Senate the strategic arms treaty known as SALT-2, signed in Vienna in June, 1979.

Some elements of Soviet-American cooperation do survive. Last week in London, the two sides

signed a new agreement enabling Moscow to buy 6 million tons of American grain before Sept. 30. In Washington, they finished another annual round of naval talks aimed at avoiding violent incidents at sea.

In Geneva, Soviet and American diplomats are discussing grievances and compliance with the strategic arms agreement made since 1972. And they have begun preliminary preparations for talks starting late this year or reducing nuclear forces in Europe.

Chill Persists
But a decided chill has persisted for 18 months and Reagan administration policymakers talk a though they do not expect any very positive openings with Moscow until next year, especially of strategic arms control or presidential summits.

Their approach has been to use the new administration's first 18 months to gear up defense spending, rekindle the Western alliances, stake out new arms sales programs in the Middle East, Asia and Latin America, expand strategic relationships with China, Japan, and mercurial allies like Pakistan, before entering serious bargaining with Moscow.

Former President Richard M. Nixon and former Secretary of State Henry A. Kissinger urged their opening to Peking in 1971 not only to set in motion the developing Chinese-American relationship but to correct Moscow's anxieties about international diplomacy into Soviet-American detente on arms control, trade, and cultural and scientific exchanges.

Since then, however, the Kremlin has been wary of American efforts, as Soviet officials put it, "to play the China card."

Although there is some speculation that the current administration's moves with China may be following the Nixon-Kissinger gambit of using China to set up accommodation with Moscow, administration officials deny that. They describe the present maneuvers as more openly anti-Soviet in intent.

The clear hope of the Reagan administration, they say, is that in the years ahead the Soviet leadership will be more flexible in negotiations if confronted with a stronger America.

EEC Commissioners Gathering For Crucial Session on Budget

By Nicholas Bray
Reuters

BRUSSELS — The European Economic Community's 14 commissioners are holding a private session this weekend to pull together the threads of a tortuous debate on reforming the EEC budget.

By the end of this month, EEC sources said, they must submit detailed proposals to member governments for what could be one of the most difficult negotiations in the EEC's history.

The EEC Commission was charged in May last year with the task of drawing up a blueprint for reforming the \$25-billion budget in order to avoid a repetition of the dispute over payments that split Britain and its EEC partners for more than a year.

In a two-day session at the Belgian seaside resort of Knokke Friday and Saturday it aims to put its ideas down on paper at long last. For the 14 commissioners themselves, the task of reconciling conflicting national interests has become a test of the commission's credibility that could ultimately even cost them their jobs.

Publication of the commission blueprint, scheduled for next week, will mark the start of wrangling over money among the 10 member states that could go on for months. Government leaders will discuss the proposals in Luxembourg on June 29 and 30, and the European Parliament will also want to have its say.

If it is dissatisfied, the Parliament has the power to dismiss the 14 commissioners and order governments to appoint a new commission in their place.

EEC sources said the commission is likely to call for more emphasis on spending for social and regional projects and less on farming, which at present swallows two-thirds of the budget. This is likely to be welcomed by the European Parliament and by Britain, which stands to gain from such a shift.

But diplomats expect it to be less popular with countries like the Netherlands and Denmark, whose prosperous farmers earn a lot from the Common Agricultural Policy.

These countries might have to foot much of the bill for restructuring of the budget if Britain and West Germany stick to their refusal

to pay more. These two countries, both heavy net contributors to the budget at present, complain that they have been forced into an unacceptable situation by their high EEC payments.

To solve the problem of excessive farm spending, the commission is expected to argue that farm prices should be reduced to bring them closer to world prices, sources said. Farmers are likely also to be called upon to bear more of the cost of getting rid of surpluses, in the past a heavy burden on EEC financing, with income aids being offered to less well-off farmers in poorer regions.

But Britain is likely to get short shrift from the commission if it complains about excessive tax payments caused by its imports of farm produce and other goods from outside the community, the sources said.

Eurocrats Threaten to Strike

BRUSSELS (Reuters) — The EEC's 15,000 civil servants threatened Thursday to start a 15-day strike if their pay dispute was not settled by a foreign ministers meeting in Luxembourg on Tuesday.

Iraq Was Reportedly Stockpiling Uranium

By Paul Lewis
New York Times Service

PARIS — Iraq was stockpiling large quantities of uranium for at least a year before Israeli aircraft knocked out its French-built Osirak reactor on June 7, sources at the International Atomic Energy Agency in Vienna said Thursday.

These uranium purchases are one of a number of disturbing aspects of Iraq's supposedly peaceful nuclear development program which helped fuel fears in Israel as well as at the IAEA that Baghdad might be planning to build nuclear weapons sometime in the future, according to these sources.

"If you ask whether Iraq had it in mind to make nuclear weapons one day, then I'd say a lot of people at the agency thought it probably did. A lot of things it was doing only made sense on that assumption," one Western diplomat at the IAEA commented.

Scientists to Stay

In Paris, the new Socialist government revealed the existence of a secret agreement with Iraq that the government claims made it impossible for Baghdad to obtain a militarily significant quantity of nuclear explosive from the Osirak reactor.

Under this unpublished agreement, France was to keep atomic scientists working at the French-supplied reactor project until 1989. The scientists were empowered to watch all of Iraq's nuclear experiments at the Osirak 70-megawatt reactor and at a nearby small reactor to ensure that they functioned safely.

According to Michel Pecqueur, head of the French Atomic Energy Commission (CEA), the presence of French scientists, in addition to regular inspections by the IAEA, made it impossible for Iraq to obtain a meaningful amount of nuclear explosive from these reactors without France or the IAEA knowing about it.

If Iraq were found trying to extract nuclear explosive from Osirak, or if it repudiated the nuclear nonproliferation treaty under

which it has pledged never to acquire nuclear weapons, Mr. Pecqueur said France planned to cut off fuel supplies immediately.

The CEA also reported that the roughly 12 kilograms (26 pounds) of highly enriched weapons-grade uranium fuel it has already supplied for Osirak is safe and accounted for in a bunker near the remains of the reactor.

Agency Inspection

IAEA inspectors were due to arrive in Baghdad Thursday to begin a two or three day inspection of the remains of the reactor and its fuel, which will remain under agency control so long as Iraq adheres to the nuclear nonproliferation treaty, according to officials in Vienna.

The fuel has reportedly been slightly irradiated, making it too hot to handle easily by hand. "Keeps mischievous fingers off," commented one Vienna official.

Meanwhile, French External Relations Minister Claude Cheysson repeated an earlier statement by President Francois Mitterrand that France will only agree to rebuild Osirak if it is absolutely sure the reactor cannot be used for making atomic weapons.

Claims in Senate

[A U.S. Senate hearing was told Thursday that internal documents from the IAEA indicate Iraq could have produced — without detection — enough plutonium to build atomic weapons, United Press International reported from Washington.

[At the Foreign Relations Committee's opening hearing on Israel's destruction of the Iraqi reactor, Sen. Alan Cranston, Democrat of California, said he had obtained four agency documents from U.S. sources that indicate Iraq could have produced enough plutonium annually for three atomic bombs.

[Furthermore, these IAEA documents indicate that there is significant possibility, indeed probability, that this plutonium would not have been detected by the IAEA inspectors," Sen. Cranston said.

[Sen. Cranston, a vocal critic of

nuclear proliferation, also told the committee Thursday that a Feb. 27 IAEA inspection of the Iraqi reactor was conducted by flashlight by Soviet and Hungarian inspectors because Iraq informally objected to U.S. inspectors.

Difficulty Anticipated

[He said he warned the agency last year that Iraq was pursuing an "aggressive program" to become a nuclear weapons state within the next five years, UPI reported.]

Although Iraq wants eventually to generate much of its electricity by nuclear means, officials say it is unusual for a country to begin stockpiling uranium fuel before it has built any power reactors unless it anticipates difficulty obtaining supplies in the future.

Iraq would certainly have trouble obtaining nuclear material of any kind if it was caught developing nuclear weapons on the sly or if it renounced the nonproliferation treaty.

Some of Iraq's uranium stockpile is suitable for immediate irradiation in the Osirak reactor to produce plutonium, which is a nuclear explosive, although IAEA officials and Western diplomats in Vienna are convinced any attempt to do this would be quickly spotted.

A second disturbing feature of the Iraqi program, closely related to the first, is Baghdad's decision to order a "hot laboratory" from Italy, which was strongly criticized by the Carter administration at the time. This laboratory can be used to produce radioisotopes for medical use. But it could also be used to separate out plutonium explosive from irradiated uranium.

Deal With Brazil

A third worrying aspect, according to knowledgeable officials, concerns the nuclear cooperation agreement Baghdad signed with Brazil in early 1979. The agreement came shortly after Brazil placed a controversial order with West Germany for a number of large reactors as well as for a uranium enrichment plant and a plant

for separating out plutonium from spent reactor fuel.

Brazil has not signed the non-proliferation treaty and is committed by treaty only to keeping Latin America a "nuclear weapons free zone." Officials, therefore, saw a risk that Iraq might have been able to get help from Brazil in making plutonium explosive and also in obtaining fresh supplies of enriched uranium fuel for Osirak if France followed up on its threat to cut off supplies if the reactor was used for military ends.

Iraq appears to have faithfully reported all its purchases of uranium to the IAEA as it is bound to do under the nonproliferation treaty.

The most worrying purchase, in the view of Western diplomats and IAEA officials, occurred last year when Iraq bought about 10 tons of natural and depleted uranium from West Germany that is suitable for immediate irradiation into plutonium.

Reports to Congress

WASHINGTON (Reuters) — Reports drafted for Congress say the Iraqi nuclear plant bombed by Israel would have taken 10 to 30 years to produce enough plutonium for an explosive device.

The reports also challenged Israel's contention that any delay in the bombing of the plant would have threatened Baghdad with deadly radiation.

The drafts were prepared by the Congressional Research Service of the Library of Congress. They said if international inspectors and French technicians operating the Iraqi reactor could have been hoodwinked, then no more than one kilo (2.2 pounds) of plutonium a year could have been recovered from the reactor if it were operated in typical research fashion.

Since more plutonium was required than was actually used in an explosive device, they said, the minimum amount needed would have ranged from 10 to 30 kilos (22 to 66 pounds) — meaning it would have taken 10 to 30 years to produce one device.

Camp David Approved

PARIS (IHT) — In a French text of the interview as published by Le Monde Thursday afternoon, Mr. Mitterrand emphasized his approval of the Camp David peace process initiated by Israel and Egypt, in contrast with past French policy.

Concerning the Palestinians, he said that "every people has the right to a fatherland." He added, "One day the Israelis and the Palestinians will have to sit down to talks."

Declining to be drawn out on his recent talks in Paris with King Khalid of Saudi Arabia, he nevertheless remarked that Saudi leaders "have their own goals — not only that of the holy places, but also that of the holy places." He added: "This is normal; they are Moslems. They feel the problem of the holy places — and I am not talking about Jerusalem — very deeply. These are respectable matters that need to be discussed."

Reports to Pertini

As required by the intricate, set procedure of Italian government crises, Mr. Spadolini reported his success to President Sandro Pertini Thursday night. He told the president, who had named him premier designate a week ago, that his soundings with the parties, the labor unions and management organizations had been positive and that he could now tackle the task of putting a Cabinet together.

But this task is complicated by conflicting claims from the prospective coalition partners.

The Christian Democrats, who have 38 percent of the seats in Par-

WORLD NEWS BRIEFS

Hua Reportedly Completes Re-Indoctrination

PEKING — Hua Guofeng, the embattled chairman of the Chinese Communist Party accused of adhering too closely to Maoist ideology, has completed eight months of political re-indoctrination at a special party school, European diplomatic sources said Thursday.

The sources said they were told by well-informed Chinese that Mr. Hua, who had been chosen by Mao to succeed him at the party helm, failed to repent completely. "Courses" at the school usually consist of reading recent speeches by top party officials.

There had been speculation here that Mr. Hua would lose the chairmanship at the upcoming party congress and perhaps be given a deputy chairmanship in a move seen aimed at mollifying his supporters. But the diplomatic sources said they were told he may now just be given membership in the standing committee of the ruling Politburo.

Greeks Suspend Talks on U.S. Military Bases

ATHENS — The Greek government Thursday suspended negotiations with Washington over a new defense and economic cooperation agreement to govern the operation of U.S. military bases.

This was partly due to disagreements, but mainly because of the lack of time to have any accord ratified before the parliament recesses before the November elections. An official government announcement said Greece intends resuming the talks after the elections, and that in the meantime the American bases would be allowed to continue normal functioning.

South Africans Jail Black Newspaper Editor

JOHANNESBURG — South African security police arrested the news editor of a black newspaper, The Sowetan, after its coverage of police action during township unrest on Tuesday.

Thami Mazwai was detained Wednesday night in the black township of Soweto. The Sowetan, originally a small weekly, became the daily voice of South Africa's blacks last February after its predecessor, The Post, was forced to close.

Meanwhile, thousands of mixed-race schoolchildren returned to classes Thursday after a three-week protest against the detention of Aziz Jardine, who is still being held without charge.

NATO Group Warns of Soviet Missile Threat

BRUSSELS — There is an urgent need to match an alarming Soviet deployment of nuclear missiles aimed at Western Europe, a special study group of the North Atlantic Treaty Organization has disclosed.

U.S. officials said after a meeting of NATO's Special Consultative Group Wednesday that the Soviet Union now has deployed 220 SS-20 missiles, each with three nuclear warheads capable of reaching any target in Western Europe.

NATO has no land-based nuclear missiles deployed in Western Europe capable of reaching the Soviet Union but the allies decided in late 1979 to aim for a force of 572 Pershing-2 and Cruise missiles that could.

Soviet Dissident Sentenced to Internal Exile

MOSCOW — Jewish activist Victor Bralovsky was sentenced to five years of internal exile Thursday after being found guilty of anti-Soviet defamation by a Moscow city court at the end of a two-day trial.

The sentence was less severe than expected. The maximum punishment is three years' imprisonment in a labor camp, which Mr. Bralovsky's wife, Irina, said after the trial would have "been a death sentence" because of her husband's infirm health. Many U.S. and West European scientists had appealed to the Soviet Union on behalf of the 45-year-old cyberneticist.

Spadolini Wins Backing Of Other Italian Parties

By Henry Tanner
New York Times Service

ROME — Sen. Giovanni Spadolini, head of the Republican Party, Thursday won the tentative backing of Italy's other political parties for the formation of a new government under his leadership.

Unless the agreement collapses during the next week or so of further negotiation, he will become the first non-Christian Democratic premier since the republic was proclaimed in 1946.

Mr. Spadolini will be heading a coalition made up of Christian Democrats, Socialists, Social Democrats, Liberals and his own Republican Party.

The Communists, who remain in the opposition, have promised to take a "positive" attitude toward a government headed by him. By contrast, they had campaigned hard against his two predecessors, Arnaldo Forlani and Francesco Cossiga, both Christian Democrats.

Local Elections

The composition of the Cabinet is expected to be influenced also by the partial local elections that will be held on Sunday and Monday. At stake are several local governments, including that of Sicily and the administrations of two big cities, Rome and Genoa. Twenty percent of the electorate are involved.

The Christian Democrats are on the defensive in this election. The lira has lost about 20 percent of its value compared with the dollar during the last three months. Inflation and unemployment are growing. And the scandal of the Masonic lodge Propaganda Due, though involving many non-Christian Democrats, is seen by many Italians as a reflection of 35 years of permissive government by the ruling party.

Mitterrand Says Iraq Must Agree to Curbs

(Continued from Page 1)

that the United Nations voted a similar demand after Israeli commandos destroyed Arab-owned civilian airliners at Beirut airport in late 1967.

No contract will be signed without the assurance that it cannot be diverted to military purposes, Mr. Mitterrand said. "The principle is the same for everyone — no nuclear reactors whose techniques could allow the conversion from civilian to military purposes. It's simple."

As for what he considers to be France's obligations toward Iraq now, he said, "I will give the answer about that when the request is made [by Iraq], if it is made." He indicated that there would be no discrimination against Iraq if it met the same safeguard conditions as any other French customer.

Turning to the question of a homeland for the Palestinians, Mr. Mitterrand made clear that he does not see how they could be prevented from creating a sovereign state of their own, if they wanted it, once they are granted a territory. First, however, he said the Palestine Liberation Organization must give up its demands for the destruction of Israel.

Talk With Peres

"Quite naturally, when a people becomes united, the structures of a state will emerge — at least I assume so. But that could only take place in the framework of a treaty

with guarantees that Israel has a right to expect, especially military ones."

Mr. Mitterrand spoke of "the pleasure" he had in seeing the Israeli opposition leader, Shimon Peres, "at length" in October at a Madrid meeting of the Socialist International. He recalled expressing reservations about the French contract with Iraq. He said he did not know if Mr. Begin was informed of that, but he noted that his position was also on the record before French Jewish organizations. "Mr. Begin could not have been uninformed of my position," he said.

He complained that Mr. Begin has not bothered to offer him any justification for the raid, although he told the United States why he did it.

"Very Warm Feelings"

Mr. Mitterrand recalled Mr. Begin's allegation that there was a secret underground bomb-making facility at the Iraqi site, and the French reply that there was nothing that was not a mirror image of the similar French atomic complex at Saclay outside Paris, in which the Iraqi project was modeled. "By committing an error of technical judgment, Mr. Begin simultaneously committed a political error," Mr. Mitterrand said.

Asked if the argument with Mr. Begin complicates his search for a new role in the Middle East, he replied: "Certainly he did not sim-

ply our task. I have very warm feelings about the historic achievements of Israel and about its culture. I know the magnitude of its sacrifices. I admire the abilities of its people and I want to guarantee its existence, its means of existence. Mr. Begin might have noticed as much. Yet the first thing he did was to reduce the accumulated capital of confidence. Too bad.

"That will not change my opinion on the fundamentals," he added. "I remain true to my options." He said that when France asks for condemnation at the Security Council, "we condemn the raid, not Israel. We criticize the action of its leaders. We do not request sanctions against its people. And we remain open for any friendly agreement, any peaceful settlement, for anything that will contribute to good relations with Israel in the context of respect for basic principles."

Mr. Mitterrand remarked in an aside that he hopes to visit the United States soon, perhaps this autumn as part of the biennial celebration of the Battle of Yorktown in which a combined French and American force defeated the British to put a victorious end to the American Revolution.

Reinforcing what appears to be his intention to maintain smooth relations and open communication with the United States was the fact that his first presidential interview was with The New York Times

ASEAN Wants UN Force As Part of Cambodia Plan

(Continued from Page 1)

offensive because it was made "in the very year of Chinese expansionism. The statement was aimed at encouraging Peking and other enemies in Southeast Asia against Vietnam."

Mr. Haig, who visited the war graves at the Philippine-American cemetery in suburban Manila, in brief remarks called for "sacrifice with vigilance and unity to ensure that we maintain collective strength to prevent the forces of evil who would resort again to conflict from having their way."

Later the secretary of state visited President Ferdinand E. Marcos. Mr. Haig delivered a letter of congratulation from President Reagan on the re-election of the Philippine leader for a six-year term. In a luncheon toast, Mr. Haig congratulated the president and his wife, Imelda, on their 25th anniversary.

The U.S. endorsement, as well as the announcement that Vice President Bush would represent Mr. Reagan at Mr. Marcos' inauguration on June 30 disappointed Filipinos who had hoped that the United States would be more perfunctory in its acknowledgment of the election result.

2 Die, 31 Hurt In Religious Riots in Cairo

CAIRO — Squads of police in armored vehicles fired tear gas into rioting crowds of Moslems and Christians in a poor residential area near central Cairo Thursday.

Authorities said at least 2 persons were killed and 31 injured early in the clash, which began as religious fighting Wednesday night and turned into full-scale rioting Thursday. Police said at least 42 persons were arrested and four handguns confiscated.

The Interior Ministry said the fighting began at a quarrel between two neighbors — a Christian and a Moslem. But residents of the neighborhood said the clash stemmed from an attempt by Moslem fundamentalists to build a mosque on a site designated previously for a church.

A source in the Christian Coptic church said the dispute was over the building rights.

Joint Effort To Spy Seen

(Continued from Page 1)

cause it allows monitoring of Soviet missile tests from launch through flight over Siberia to dispersion of warheads. It does not permit monitoring of the final stages of flight, including the re-entry of the warheads.

The monitoring of missile tests is critical to the verification of Soviet compliance with key provisions of strategic arms agreements. It permits the United States, for example, to detect whether new missiles are being developed.

The performance characteristics of missiles are detected in a number of ways, including tracing the missile with radar and monitoring data transmitted by radio signals.

Typically, the United States would be seeking to determine the number of warheads the missile carried, and the accuracy of re-entry vehicles that carry the warheads. Analysis of the information can show whether the missile is a new or old model or a variant.

The Soviet test base at Leninik is used for testing intercontinental ballistic missiles, officials said. The test range extends out over Siberia with re-entry over the Kamchatka Peninsula or the western Pacific.

The base at Sary-Shagan is used for testing antiballistic missile systems, according to officials.

Ariane Set for Launching

United Press International
CAYENNE, French Guiana — The countdown was to start here Thursday for a scheduled third test launching on Friday of the European space rocket Ariane, this time with two satellites, one European and the other from India. The previous launchings were in December, 1979, and May, 1980.



Israeli soldiers armed with rifles, truncheons, helmets and tear gas were placed on guard at a rally Wednesday evening of opposition leader Shimon Peres in Rehovot, 15 miles southeast of Tel Aviv. Troops have started policing election gatherings following numerous violent incidents.

Increasing Violence in Israeli Election Blamed on Ethnic Hostility Among Jews

TEL AVIV — The most closely fought election in Israel's 33 years has suddenly escalated into the most violent one, edged with long-festering ethnic sentiments. So far this week, vandals have destroyed a campaign office of the opposition Labor Party and thrown a firebomb at another. A Jerusalem Labor supporter's updown was smashed Tuesday, while another Laborite's car was doused with the word "traitor" and set on fire. Demonstrators have disrupted several Labor Party rallies, one of which degenerated into violence and left 18 injured and 26 arrested. Police have reinforced their guard around election meetings, saying they have never witnessed so much violence in nine previous elections.

With less than two weeks to go until the June 30 election, and Prime Minister Menachem Begin's Likud bloc pulling ahead of the Labor Party, the campaign violence has become a dominant issue. It first manifested itself this spring, when Labor Party leader Shimon Peres had tomatoes thrown at him while visiting the famous, a vast outdoor festival held by Israelis from North Africa. Many observers believe the problem goes beyond routine election-eve militancy and touches on one of Israel's sorest social problems — the ethnic gap between Middle Eastern and European Jews that persists despite three decades in the melting pot. Most of the Israelis involved in the violence are Sephardic — immigrants and sons of immigrants from Islamic countries who came to the Jewish state in the 1950s only to find its establishment dominated by East Europeans who had gotten here earlier.

Police Reservist Slain in Ulster

BELFAST — A gunman fatally wounded a young police reservist Wednesday night as he was driving home from work outside the Roman Catholic village of Carrickmore 40 miles (65 kilometers) west of Belfast, police reported. The 25-year-old Protestant was found by his father slumped across the wheel of his car, shot several times in the chest. The wounded man died during surgery. Police sources blamed the Irish Republican Army's Provisional wing for the slaying. In Belfast, the family of Joe McDonnell, a convicted IRA gunman leading a hunger strike by jailed guerrillas in the Maze prison, said his condition was deteriorating. His wife Gretta said that Mr. McDonnell, who has gone without food for 40 days, "is still mentally alert, but his body is deteriorating and he's starting to look like a skeleton."

Children of the Holocaust's Survivors Gather to Discuss Their Common Bond

By David K. Shipley
New York Times Service
JERUSALEM — "It's like her's a rock inside of me." The young woman, Charlene Bradin, lunged forward intently as she spoke. And the other children of Holocaust survivors, sitting in a circle, were suspended on her words. "My father was from Poland," she said. "Between the time I was and 15, I had a picture of myself in my father's position, because when he was 10 to 15, he went through everything." She added to a young man who had spoken just before her. "What you do about waking up with the same dreams that your mother has? I wake up with the same dreams that my father has."

Marcos Seeking To Crush Rebels

MANILA — President Ferdinand E. Marcos sent troops into southeastern Luzon with orders to crush a Communist guerrilla group blamed for attacks during national elections this week. At least 37 persons were killed in election violence — most of them in guerrilla ambushes on the main island of Luzon. Four were killed by government troops who fired into a crowd of peasants holding an anti-Marcos rally. Partial election returns showed Mr. Marcos was polling more than 80 percent of the votes cast in Tuesday's elections — the Philippines' first in 12 years. A broad alliance of 45 nationalist groups, including major opposition parties, called on voters to boycott the elections.

Recently, I read in the newspaper Politika of Belgrade, that I, Hyon Terpen, am a "criminal" and buried bombs into the Yugoslavian Embassy in Tirana (Albania). This is a pure lie. Which tries to shame me. I am not, and have never been a terrorist, as Politika writes. There is simply no truth in this statement, and in respect to this case on May 23, 1981, involving the Yugoslavian Embassy in Tirana, I can only say once again, that it is a pure lie. I would like to state here that I am an emigrant from Kosovo (Yugoslavia), 72 years old, and have lived for many years in the U.S.A. I hold a U.S. passport, and am a U.S. citizen who receives a pension from the U.S. government. It is unbelievable that Politika has written that I was arrested on May 23rd in Tirana. My passport and many witnesses can prove that on this day I was in New York City. How then, could I have buried bombs into the Yugoslavian Embassy in Tirana. I am grateful to be allowed to make this public statement, in order to defend the truth. Hyon Terpen, New York, June 5, 1981.

Press Office Shaken Up By Reagan

White House Aide To Be Supervisor

By George Skelton
Los Angeles Times Service
WASHINGTON — President Reagan has shaken up his press office, placing it under the supervision of a White House insider and expanding the staff with the addition of a veteran Texas political adviser. Senior aides had been reluctant to act on the press office because of the sensitive situation involving James S. Brady, the press secretary who was shot in the head during the March 30 assassination attempt on Mr. Reagan. Mr. Brady still holds the title of press secretary and its \$60,662 salary while recuperating. He has been assured of his job as well. The person who will handle the press secretary's duties along with other responsibilities is David R. Gergen, until Wednesday the White House staff director, the No. 2 slot under James A. Baker 3d, Mr. Reagan's chief of staff. Mr. Gergen's title will be assistant to the president for communications, at the same salary as Mr. Brady.

Larry Speakes, who since the shooting has been acting press secretary, was given a \$5,000 raise to \$55,363. Mr. Brady's plussier office and a new title: deputy assistant to the president and principal deputy press secretary.

Temporary Addition
But Mr. Speakes' responsibilities were diluted by placing him under the direct supervision of Mr. Gergen. They will share the daily briefing of White House reporters about presidential activities, policies and thinking.

Added to the staff, at least temporarily, as a deputy press secretary was Peter Roussel, 39, director of governmental relations for the Houston Chamber of Commerce. Mr. Roussel's ties to Mr. Baker and Vice President Bush go back through several political campaigns. Mr. Baker said that Mr. Roussel would remain at the White House for 60 days, at which time his position would be re-evaluated. In the Reagan White House, Mr. Gergen has risen to a level just below the so-called Big Three — Mr. Baker, counselor Edwin Meese 3d and Michael K. Deaver, the deputy chief of staff. He has played a decision-making role on a broad range of policies involving congressional communication and political strategy.

More so than either Mr. Speakes or Mr. Brady, Mr. Gergen, 39, is an aide who is considered to be in tune with the thinking of Mr. Reagan and his three top advisers. He is the person reporters increasingly have been turning to for background guidance on presidential attitudes, particularly as they relate to domestic issues and strategy. Under President Nixon he was chief speechwriter and in the Ford administration he served as communications director.

The staff's other deputy press secretary, Karna Small, had been reported by a Washington newspaper to be on her way out. Mr. Baker denied this rumor.

Spanish Forces Slay 4 Suspects In Terror Group

MADRID — Security forces have killed four suspected members of the guerrilla group GRAPO in two separate gunbattles in northeast Spain. Spanish Civil Guard headquarters identified the four, killed Wednesday, as suspected members of GRAPO (October First Anti-Fascist Resistance Groups) and said they were all alleged to have been involved in numerous bank robberies. This may prove to be a success for the security forces as last month the head of Spain's unified anti-terrorist command asserted there were less than 10 GRAPO guerrillas still at large.

An official statement named the four as Roberto Lineira, 22, and Albino Gabriel Lopez, 23, both wanted in connection with the killing of two Civil Guards in Barcelona last month, and Maria Dolores Castro, 24, and Antonio Cabezas Bella, 29. It said Mr. Lineira was also being sought in connection with the killing last September of Gen. Enrique Briz Armengol and his driver in Barcelona.

Some families have acute problems. Bella Savran of Bloomington, Ind., cited a woman who, whenever she went to buy clothes, had visions of her mother standing nude in Auschwitz. Another saw herself, when she looked in the mirror, with a shaved head. Another's father, angered easily, called her Hitler and beat her. The anomalies of ties across time occupied Dr. Yoss Hadar, an Israeli psychiatrist and poet whose mother was in Auschwitz, as he spoke to a second-generation audience. The children, he explained, are symbols of the new life, of renewal, of a past crossed out and a new page turned. Yet they are often named for grandparents whom they never knew. "It is almost a contradiction," he said. "You want to start everything new, and on the other hand, here is this name, which is like a memorial candle."

Costa Rica Police Say 4 Guerrillas Arrested
SAN JOSE, Costa Rica — Police report the capture, in a predawn raid Wednesday on a house outside San Jose, of two men and two women suspected of belonging to a leftist guerrilla band responsible for killing five persons since Friday. Police spokesmen said the raid appeared to have dismantled the Carlos Aguero Echeverria Movement guerrilla cell.

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Justice Potter Stewart, 66, is to retire from the Supreme Court next month after nearly 23 years. He did not give any reason in a letter to President Reagan. He was appointed by Eisenhower in 1958. The news stirred considerable speculation as Mr. Stewart had promised that one of his first court nominees would be a woman.

Supreme Court Rules U.S. Must Protect Workers From Toxicants Despite Costs

By Linda Greenhouse
New York Times Service
WASHINGTON — The Supreme Court has dealt a major setback to the Reagan administration's anti-regulation agenda, ruling that the Occupational Safety and Health Administration must protect workers from exposure to toxic substances without regard to the balance between costs and benefits.

The court heard arguments in the case on Jan. 21, the day after President Reagan took office. Two months later, in a highly unusual action, the new administration asked the court not to decide the case. Instead, it wanted the justices to vacate the appeals court decision that had upheld the standards, and send the case back to the Department of Labor for an internal reconsideration in light of the president's cost-benefit policy. During the nearly three months since the administration made that request, the Supreme Court remained silent. No one outside the court knew whether the justices would even rule on the cotton dust case. Few expected the sweeping decision.

"We view this decision as a complete vindication," said George H. Cohen, the lawyer who argued the case on behalf of the Amalgamated Clothing and Textile Workers Union and the AFL-CIO. "The court has affirmed our analysis that under the language, history and purpose of the act there is no room for cost-benefit analysis." The decision, American Textile Manufacturers Institute v. Donovan, No. 79-1429, does not remove all constraints on the agency's regulatory activities. Last year, in the so-called benzene case, the court failed to resolve the cost-benefit question but did conclude the agency must justify a new standard at least by showing there is a significant health risk to workers that can be improved by regulation.

In another decision, the court upheld the Justice Department's broad interpretation of the U.S. anti-racketeering law, ruling it may be used to prosecute criminal organizations themselves as well as the takeover or infiltration of legitimate businesses. The 8-1 vote resolved a conflict among the lower U.S. courts over the scope of the Racketeer Influence and Corrupt Organizations Act, which is commonly known by its initials, RICO. The 11-year-old statute is one of

the most sweeping of U.S. criminal laws. The law makes it illegal to conduct the affairs of an "enterprise" through "a pattern of racketeering activity," which is defined as two or more violations of any of 32 different U.S. and state laws. The law has been used to prosecute a variety of white collar crime and official corruption. Former Gov. Marvin Mandel of Maryland was prosecuted and convicted under RICO for bribery and fraud. In another case, the court ruled that the U.S. law allowing mine safety inspectors to conduct surprise, warrantless inspections of mines and quarries is constitutional.

Writing for the majority, Associate Justice William J. Brennan Jr. said Congress itself had made the only necessary cost-benefit analysis 11 years ago when, in enacting the Occupational Safety and Health Act, "it chose to place preeminent value on assuring employees a safe and healthful working environment."

Symbol of Determination
"Congress itself," Justice Brennan said, "defined the basic relationship between costs and benefits by placing the 'benefit' of worker health above all other considerations save those making attainment of this 'benefit' unachievable. Any standard based on a balancing of costs and benefits by the secretary that strikes a different balance than that struck by Congress would be inconsistent with the command" of the statute itself.

Racketeering Law
In another decision, the court upheld the Justice Department's broad interpretation of the U.S. anti-racketeering law, ruling it may be used to prosecute criminal organizations themselves as well as the takeover or infiltration of legitimate businesses. The 8-1 vote resolved a conflict among the lower U.S. courts over the scope of the Racketeer Influence and Corrupt Organizations Act, which is commonly known by its initials, RICO. The 11-year-old statute is one of

Conservative Democrats Ready To Oppose Reagan on Budget

By Martin Tolchin
New York Times Service
WASHINGTON — Many conservative Democrats, who thus far have held the balance of power in the budget battle in the House, say that they would support the Democratic leadership and oppose the White House in the coming vote on specific budget cuts.

At the same time, President Reagan's attack Tuesday on Speaker Thomas P. O'Neill Jr., Democrat from Massachusetts, appeared to have galvanized the Democrats and weakened the prospects for adoption of a Republican alternative to the package of \$37 billion in budget cuts approved by 16 committees in the Democratic-controlled House. The administration, in pushing for an alternative budget package, contends that some of the House cuts are illusory, counterproductive and unnecessarily severe, according to several members present.

Mr. Reagan, apparently regretful of his public denunciation of Rep. O'Neill, placed a peacemaking telephone call to him Wednesday morning. Other White House spokesmen insisted that Mr. Reagan did not offer Rep. O'Neill an outright apology for the outburst in which Mr. Reagan, after first signaling the end of his news conference, returned to the microphone to accuse the congressman of "sheer demagoguery."

In Wednesday's two-minute telephone call, the president told Rep. O'Neill that his remarks had been prompted by the speaker's comment on television that Mr. Reagan probably did not know anyone who earns less than \$20,000 a year and that he was surrounded by rich, selfish advisers. On Capitol Hill, at a stormy meeting with Democratic Rep. Phil Gramm of Texas, co-sponsor of the original budget resolution passed by the House with Mr. Reagan's endorsement, most of the 47-member Conservative Democratic Forum said that they resented the president's attacks on budget cuts made by House committees on which they served. The Democrats were clearly heartened by Wednesday's developments, which indicated a severe rift in the coalition of Republicans and conservative Democrats.

Some Cuts Restored
The House and Senate last month adopted a budget resolution that instructed committees to make cuts totaling \$36 billion. The committees have now made specific cuts that exceed that amount, and the package will reach the House and Senate floor next week. The cuts are from the \$740 billion that would be spent in the next fiscal year under existing programs.

To prevent the Republicans from offering an alternative package, Rep. O'Neill Wednesday withdrew his insistence that floor amendments be allowed on the reconciliation measure in order to restore some of the cuts in social programs. The Education and Labor Committee had restored cuts in social progress that he sought. The programs also restored cuts in programs at the administration's behest.

The 242-member House Democratic Caucus meanwhile gave a rousing ovation to Rep. Jim Wright of Texas, the majority leader, who accused the president of misleading the American public. "The president is responsible for all these cuts, and now he has the audacity to blame us," Rep. Wright said. "It's not the Democrats who would close the 10,000 post offices. It's not the Democrats who would cut back on meals on wheels. It's not the Democrats who would cut back on student loans."

The consensus in the Democratic cloakrooms was that Mr. Reagan's attack on the speaker and the congressional Democrats had a unifying effect. "I think that the press conference has galvanized the Democratic Party," said Rep. Thomas J. Downey of New York.

Baker Concession
WASHINGTON (NYT) — Howard H. Baker Jr., the Senate majority leader, concedes that he can no longer hold off the intrusion of such social issues as abortion and school busing into debates on the budget.

"The dam is breaking on this stuff and he admitted as much to the members at yesterday [Wednesday's] policy luncheon," a Senate Republican said Thursday. Sen. Baker's five-month policy of trying to put off debate on emotional social issues until budget matters were settled.

Sen. Baker had proposed separate debate of these issues later in the session, but tighter restrictions on federal spending for abortions were approved last month in an amendment brought into an appropriations debate against his wishes. The Senate is now involved in extended debate to block voting on a ban on the Justice Department's participation in school busing cases.

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Asian Whirlpools

A Washington Post editorial published in yesterday's edition of The International Herald Tribune warned wisely that U.S. arms deals with Pakistan and China "deepen the American commitment to regimes of independent purpose and uncertain staying power, and draw the United States further into their respective regional whirlpools." That complex thought merits further consideration, appropriately now while Secretary of State Alexander M. Haig Jr. is meeting in Manila with his colleagues from the Association of Southeast Asian Nations (ASEAN).

The item at the top of the ASEAN agenda at its just completed meeting was Indochina, the focus of the Sino-Soviet conflict in Asia. Vietnam, which China regards as a Soviet surrogate, is the current master of the peninsula. And the cockpit is Cambodia, where China is supporting the efforts of the barbarous Pol Pot to expel the Vietnamese occupiers. No one really likes Pol Pot, but some in ASEAN regard him as a better alternative than Soviet-Vietnamese imperialism. Others worry more about Chinese designs.

The U.S. decision in principle to sell lethal military equipment to China needlessly complicates the situation. The U.S. intention is that whatever arms are sold will strengthen the Chinese posture against the Soviet Union. But by extension that could mean they will be available for use against the Vietnamese. What does that notion do to ASEAN's effort to draw Vietnam into a dialogue aimed at returning Cambodia to some form of independence? Similarly, who can say that these arms will not one day be used against Taiwan, although at the moment it seems unlikely?

There are numerous questions of that kind that might be asked. There are also some of another category. What kind of U.S. arms will it take to make China's People's Liberation Army (PLA) a better match for the Red Army? The Chinese are already tying down one-fourth of the Soviet Union's land forces along their 4,700-mile frontier. Or is selling arms to China mainly a political sop to the PLA, many of whose top officers are unhappy with the economic and political

priorities of China's most influential leader, Deng Xiaoping? And, of course, how will the Soviet Union respond to this new U.S.-Chinese relationship? It may not be called an alliance, but the difference between a friendly arms-supply relationship and an alliance could easily be lost on Moscow.

The disclosure that the United States and China have already been collaborating on a missile-monitoring station in Western China near the Soviet border adds further complications. While it was a secret, the Soviet Union could go along with it. But now that word of its existence has been leaked in Washington, the Russians must respond, especially in the light of the U.S. decision to sell China arms and Secretary Haig's challenging references to Soviet "hegemony" while he was in Peking. No one can be sure exactly how the Russians will react, but it is unlikely to be with concessions on Cambodia, Afghanistan or Poland.

Similar questions arise over the \$3 billion military and economic aid deal the United States has made with Pakistan and the separate agreement to sell Pakistan advanced F-16 fighter planes. Will Pakistan really be better able to deter a Soviet attack if it should come over the fact that Pakistan provides refuge for Afghan guerrillas?

In addition, it may be that the United States does not intend to fuel an arms race in the subcontinent by supplying Pakistan with up-to-date weapons, but can Washington really control the direction in which Pakistan will aim those weapons? At a time when Pakistan's relations with India, which traditionally are as cold as the grave, are showing slight signs of warming, was this really the best time for such a deal?

Anti-Sovietism may have its place in U.S. diplomacy, but it cannot be a substitute for diplomacy. The Reagan administration's policies in this sphere may be less crude than they seem. But in the absence of a convincing rationale for the decisions emerging from Washington, no one will believe it and that will create its own reality.

INTERNATIONAL HERALD TRIBUNE.

Sweep for French Socialists

Most French voters, and France's allies, must have read the election returns with the strongest sense of relief. Francois Mitterrand's election raised a possibility of deadlock between a Socialist president, committed to a leftist program, and a recalcitrant National Assembly. No doubt the prospect of stalemate, evoking recollections of the worst moments of French politics, contributed to the left's terrific victory in last Sunday's first-round vote for the next assembly. It promises a legislature fully in harmony with the new president. The French believe, on the basis of much experience, that political division and weakness is never safe.

This ringing reaffirmation of France's turn to the left will inevitably create strains elsewhere in Europe. For the past seven years, most of Europe's crucial decisions were based on the close relations between the strong and assured governments of a center-right French president, Valéry Giscard d'Estaing, and a center-left West German chancellor, Helmut Schmidt. The emergence of a strongly Socialist France puts a new and highly inconvenient pressure on Mr. Schmidt in West Germany. He has suffered a series of reverses recently in domestic politics, and the scale of the Socialist gains in France will now increase his difficulties in controlling the left wing of his own party. As the ambitions of the German left rise, they awaken apprehen-

sions among Mr. Schmidt's indispensable allies on the other side, the small liberal party that provides his parliamentary majority. There's currently a wave of speculation in West Germany that neither the chancellor nor his government will complete the four-year parliamentary term to which they were re-elected last fall.

A party that comes to power in a landslide election, after nearly a generation in the opposition, has to deal with extraordinarily high expectations of its supporters. But Mr. Mitterrand and the new National Assembly are going to have to work under the close constraints represented by the European Community. France is now poised to pursue Socialism in an economy that is highly integrated with the rest of Western Europe's.

Last weekend's preliminary victory seems very likely to be confirmed next Sunday in the final round of voting. It would leave no doubt of Mr. Mitterrand's strength at home, and his ability to get the legislation that he wants. But the extent to which France can depart from the Western European consensus is less clear. Since Mr. Mitterrand has now overwhelmed his domestic opposition, the test of his statecraft may well be his ability to work with the other governments of Europe.

THE WASHINGTON POST.

Iran's Own Mess

A formidable witness has now asserted that Iran has not been liberated by the overthrow of the shah. Iran's President Bani-Sadr could not have been more categorical: "Of the three slogans of the Islamic revolution — independence, freedom and Islamic republic — nothing has been left."

With extraordinary courage, Mr. Bani-Sadr confronted his clerical tormentors and accused them of imposing a lawless tyranny in the name of Islam. So he is now branded a traitor and faces likely impeachment, or worse if the mobs have their way.

But this time the mess is Iran's own. There is no plausible way the zealots can blame the Great Satan across the seas. Nor does the turmoil create a windfall for the Soviet Union, as was once feared. Moscow seems as frustrated as Washington by Iran's theologically defined political quarrels. Its own instrument in Iran, the Tudeh Party, has obsciously backed Ayatollah Khomeini. Yet now the Tudeh newspaper has reportedly been banned, along with other secularist publications.

Indeed, all secular-minded Iranians clearly underestimated the force of Iran's fundamentalism. The shah paid with his throne for fail-

ing to take the mullahs seriously enough. Then Premier Bazargan and now President Bani-Sadr and their Western-educated allies believed they could work with the ayatollah and 50,000 mullahs in reshaping Iran along vaguely leftist and democratic lines. They failed, however, to weld alliances with other secular left-wing parties or with what was left of the armed forces, and they have been hopelessly outmaneuvered. Mr. Bani-Sadr depends pathetically on the undefined power of the 81-year-old imam in Qum — and so does Iran.

Americans no longer have any influence on Iran's power struggles, but they have not ceased to care about the country's fate. When Iran mocks its own Constitution and devours a fairly elected president, it brings further discredit to its revolution and instability to the region.

Mr. Bani-Sadr accuses his clerical opponents of ordering executions, silencing dissent, mismanaging the economy and subverting efforts to end the war with Iraq. For this he is accused of blasphemy. It is sad and ominous, not just for Mr. Bani-Sadr but for the Iranian people.

THE NEW YORK TIMES.

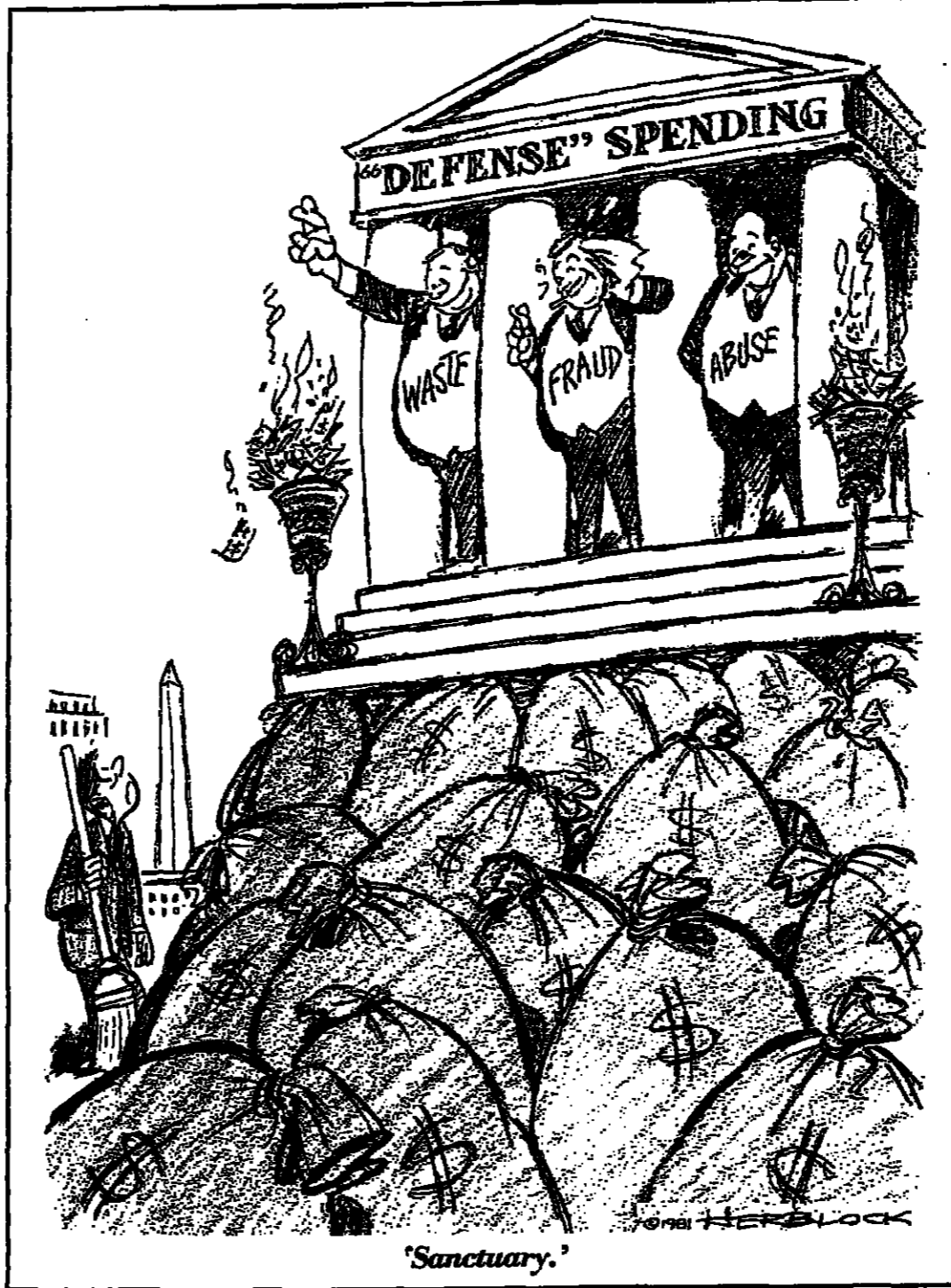
In the International Edition

Seventy-Five Years Ago

June 19, 1906

BERLIN — In the naval history of the German Empire there has never been greater activity displayed in the dockyards and naval depots than at present. New ships at Kiel and Wilhelmshaven are being constructed to accommodate ships of more than 24,000 tons, and it has been decided to widen the Kaiser Wilhelm Canal at Kiel, one of the most important strategic connections in time of war. In one respect, the German authorities have shown reluctance in taking the initiative. While all other first class naval powers have long since been in possession of flotillas of submarines and submarine boats, Germany has not yet decided on any definite type, and has only just completed its first submarine.

PARIS — Today's editorial in the Herald reads: "Placing a bronze statue of Jefferson Davis in the capitol at Washington may be variously regarded, according to patriotic bias or prejudice. But it has proved once more the solid refusal of the North and South of the United States. No voice was raised in protest; The moral gulf that was still visible when Virginia sent Robert E. Lee's statue to Washington in 1908 has closed at last. North and South are truly one. The president of the Southern Confederacy stood like a rock for what he believed to be right. Slavery was part of his moral code. He did not see its evils and the hopes to reform it; he regarded it as good, as part of the divine order."



New French Policy in Africa?

By Jonathan Power

LONDON — When African leaders assemble for their principal annual get-together in Nairobi, many of them will turn toward Paris. France has called so many of the shots in Africa for the last 100 years that the new Socialist regime is worth more than a passing glance.

French policy has long been one of supporting those who supported France. Allegiance to the West is also important for France in a geopolitical sense; less so in the adherence to Western democratic principles and the defense of human rights. The possession of scarce raw materials is also a major pole of attraction, though in this case the competition is less East-West than inter-West.

Gala Reception

All these policies came together in the unfortunate case of the Emperor Jean-Bedel Bokassa and the Central African Republic. Although Valéry Giscard d'Estaing's over-close relationship with the emperor contributed to his defeat at the polls, France's serious courting of Mr. Bokassa began with De Gaulle.

De Gaulle gave Mr. Bokassa a grandiose official visit to Paris, a triumphal drive down the Champs d'Élysées, a gala night at the theater, and a ceremonial dinner at De Gaulle's residence. De Gaulle's dinner speech was sycophantic. He lauded the Central African government's achievements and added: "Mr. President, I insist on saying that this is the case more than ever and that your personality has contributed much of it."

Eight weeks after De Gaulle's ceremonial welcome, Mr. Bokassa liquidated his former finance minister, Alexandre Banza, in circumstances according to Le Monde as "so revolting that it still makes one's flesh creep."

The French press did their best to highlight the goings-on while foreign ministers, Maurice Schumann, did his best to placate Mr. Bokassa. In one carefully worded message, he wrote to Mr. Bokassa: "You have understood quite well that there is nothing in common between what some more or less well-informed journalist thinks he can print and the brotherly respect in which the French government has always held the Central African Republic and its head."

Different?

Mr. Giscard d'Estaing continued down a well-trodden path. He chose the Central African Republic for his first presidential visit and publicly called his host during one trip "a cherished relative," an endorsement which Mr. Bokassa enjoyed repeating, not least when the affair of the murdered children and the presents of diamonds blew up into major scandals.

Will a Socialist France be significantly different? Or will the traditional interests and methods of France's African diplomacy remain the same? The first area to watch is human rights. The Socialist Party's policy document on Africa, published in April, criticizes "the constant support for the regime of Mobutu Sese Seko in its most scandalous aspects."

It is unlikely however that pres-

ident Francois Mitterrand has an answer to the decade-old dilemma — if not Zaire's Mr. Mobutu, who? In spite of this, it is not necessary to support Mr. Mobutu so firmly. With a little more air to breathe, some of the political evils from Zaire might be able to organize a more credible alternative.

Then there is the question of Ahmed Sekou Toure of Guinea. Although Mr. Toure has now at last taken significant steps to move outside the Soviet orbit, he still has large numbers of political prisoners. Concerned about beating the British and the Americans to Guinea's rich deposits of bauxite and diamonds, turned something of a blind eye to Guinea's human rights abuses.

In 1976, his interior minister, Michel Poniatsowski, ordered the seizing of copies of the anti-Toure polemic *Prison d'Afrique*. Mr. Mitterrand used to criticize Mr. Giscard d'Estaing for this. Will he now take a more relaxed attitude to the raw materials questions and attempt to dilute the inter-Western competition, which is a complicating factor not just in Guinea, but in Zaire, too?

Namibia Question

Not unrelated to this is the question of South Africa and Namibia. Although it is true, as Claude Cheysson keeps underlining, that France could tighten up its arms deals arrangements with South Africa, it should not be forgotten that France under Mr. Giscard d'Estaing was probably more prepared to vote for mandatory economic sanctions (although limited) on the issue of Namibia than any of the other main Western countries.

Will Mr. Mitterrand be prepared to expand a good portion of his scarce supply of political capital in Washington to push President Reagan to keep the pressure on South Africa and to honor the UN Resolution 435, which has been agreed to by all the parties in the dispute? One hopeful sign is France's withdrawal of military support for Jonas Savimbi in Angola.

A third question is how hard will France push King Hassan of Morocco to reach an accommodation with the Polisario and end a war both futile and unjust? Mr. Giscard d'Estaing had gradually moved France from direct military support of King Hassan's cause to a measure of detachment. Mr. Mitterrand should now recognize Polisario's claim to the Western Sahara while working towards giving

Morocco some form of partnership in developing the Western Sahara's phosphate reserves.

The short summary question is will Mr. Mitterrand commit France to the support of human rights, self-determination, and the sanctity of international boundaries in Africa, trying wherever possible to solve disputes by diplomatic means and using military support only on the rare occasions when a democratic regime is threatened and all other methods have been exhausted?

There is a fear that he will merely soften a few of the sharp edges and France will continue on its old course of serving those who serve France.

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'Those Upraised Hands'

By William Safire

WASHINGTON — After the formal conclusion of the first presidential press conference in three months, President Reagan could not resist coming back for an encore. "Sam," he said to the correspondent Sam Donaldson, "you told me that it was all right about walking away from all those upraised hands and I have to tell you, it still bothers me very much. I'm sorry we can't answer all the questions."

The problem was not that the president did not get around to all those upraised hands. The problem was that he did not have satisfying answers to the important questions he was asked.

On the softball or stupid questions — gun control, will he run again, isn't he favoring the rich — Mr. Reagan did fine. On questions on spending cuts and tax reductions that interest him most, he was knowledgeable and responsive. But on the tough questions on foreign affairs, he revealed that he had not done his homework.

Israeli Raid

On Israel's raid on the Iraqi reactor, he began by handling the most obvious question well: There was no beating common sense in his statement that "it is difficult for me to envision Israel as being a threat to its neighbors." But then he revealed himself embarrassingly unbriefed on the suggestion that Israel should submit to international inspections of its own facilities.

It is strange that a cynical, worldly-wise diplomat like Kissinger, who presumably knows everything there is to know about power politics, should become so sentimental about a has-been ruler. The shah wasn't the only person outside the United States who had cancer.

AL HIX.
RICK BERGE.

Letters

Plus Charges

Could one of your readers please tell me how to convert the currency listed in the papers to the rates the banks actually give?

London.

Sentimentality

Re the article on President Carter's decision to admit the deposed shah of Iran to the United States (IHT, May 21): It is difficult to understand Henry Kissinger's reasoning for letting the shah in. Was it really "morally wrong" to refuse?

The United States was and is interested in Iran because of its oil and its strategic position on the oil-rich Gulf. When the shah was in power, it was only sensible to deal with him as the man who was tending the store, so to speak. When he was forced into exile, he was no longer in power, and therefore of no further use to the United States.

Vienna.

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Military Challenges Reagan Is Avoiding

By James Fallows

WASHINGTON — In his graduation address at West Point, President Reagan re-emphasized his determination to spend more money for defense. Sustaining the political momentum for such increases may prove difficult; still, it will be easier than facing two fundamental military challenges that the administration has so far chosen to avoid.

The first and most obvious of these is that of discriminating between weapons that are effective and those that merely cost a lot of money.

To survey the first-line equipment of each service — the Army's new Abrams tank, the Navy's Trident submarine and F-18 fighter, the Air Force's MX missile, F-15 fighter, and various "smart" missiles — is to see a common pattern. The weapons cost between two and 10 times as much as the systems they replace; their technical complexity leads to behind-schedule deliveries and long periods in the repair shops; and their performance is better suited to computer-simulated war games than to the unpredictability and disorder that have justified real combat. In its proposal for increased spending, the administration has asked for more of the same.

Concerning Men

The second challenge is more difficult. It concerns men rather than machines.

Although nearly all discussions of the U.S. military focus on weaponry, those who have studied the history of combat or have commanded troops consistently stress that machine counts for less in warfare than do intangible human qualities, such as "leadership" and *esprit de corps*. They say that the effectiveness of a fighting force depends finally on the creation of a series of human bonds. These bonds must run among soldiers in small groups, between the soldiers and the officers who lead them, and between the military as a whole and the nation it defends. They are described as "moral" bonds, because they are woven through demonstrations of shared respect and mutual sacrifice. Officers will take risks to defend their comrades who would do the same for them. Armies will sacrifice to defend a nation that respects the sacrifices they make.

To talk with soldiers these days is to hear that these bonds have been seriously eroded by the creation of the all-volunteer force.

Another Job?

One source of erosion is the idea, inherent in the concept of a volunteer army, that military service is just another job. In the past, the bonds among soldiers had grown naturally among men who worked together, ate together, and

slept in the same barracks. They are far harder to create when half the enlisted force is married and lives in town — and when soldiers, like other workers, have the right to "quit."

When President Reagan promised at West Point to provide "better working conditions" for the U.S. military, he reflected the belief that the economic incentives that motivate most parts of the labor force are appropriate for the military as well. Many soldiers say that their duties are different from those of civilians and that while increased pay may help convince skilled technicians and noncommissioned officers to re-enlist, it is finally impossible to "buy" a dedicated fighting force as to buy dedicated doctors and clergymen.

The "moral" bonds have been weakened in another, more complicated way. As many in the armed forces are first to notice, bonds of shared loyalty and respect do not naturally grow between an affluent nation and the poor people to whom it has contracted its defense.

Education Factor

I bring to this subject the perspective of a late-1960s college student who, for reasons of principle and partly of expedience, avoided military service during Vietnam.

What was true then — that an unfair system of conscription deflected the costs of the conflict away from those with most influence in our society, thereby demoralizing the Army and prolonging the war — has now been institutionalized in more extreme form through the volunteer force. It is because of the experience of those years, not in spite of it, that I am so concerned about the consequences of having a volunteer force.

Today's Army consists of a cross-section of black America, plus the least-educated and least-wealthy whites. As the sociologist Charles Moskos has pointed out, the enlisted ranks of the Army are the only place in major U.S. institutions in which the average black is better educated than the average white. Meanwhile, a smaller and smaller portion of educated America has any first-hand exposure to the military and any direct stake in its performance and the uses to which it is put.

Spending more money on the military will not earn it the nation's respect. That requires the creation of a force more representative of the country it is meant to defend — which, in turn, will almost certainly require the draft.

James Fallows, Washington editor of *The Atlantic*, is author of *National Defense*. He wrote this article for *The New York Times*.

All presidents of the last two decades have done that homework. The purpose of the exercise is not merely to put on a good performance but to force policy decisions and keep the president informed. It consumes time, but it keeps him on top of his job.

This president has been skimping on his preparation, neglecting the black book, relying instead on oral give-and-take with his aides for a couple of hours before press conferences. He thinks he can wing it.

Some member of the inner circle with a great sense of security should tell him that this is how a democracy tests its leader's range of comprehension and that he has been flunking the test.

As his conduct in debate has shown, Mr. Reagan has the mental capacity to absorb briefings and to think on his feet. All it takes is a change in priority of his time and a bit of hard studying. When he hears a Spanish-language question, he need not brush him off with a smile; those words should trigger a crisp 60-second report on his visit with Mexico's President Lopez Portillo.

A president should use the press conference as a forum to get across his ideas in capsule form. He should not leave the viewer hoping to hear the sound of the bell before the man in the arena hurts himself.

A quotation widely distributed by *Israel's Foreign Ministry* and used in this space last Friday (IHT, June 12), purportedly from a Baghdad newspaper, was false.

No specific threat that Iraq's nuclear facility was intended for use against Israel was published. Reached in Jerusalem, Moshe Yegar, deputy director general of the Foreign Ministry in charge of information services, concludes that "the department mistakenly translated loose paraphrase from a high-ranking source, and says that was the first error in 35 years. An official inquiry is under way."

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Authors

U.S. Writers Average Less Than \$5,000 a Year in Earnings From Their Work

By Herbert Mitgang
New York Times Service
NEW YORK — Despite big movie and paperback deals that convey an impression of glamor and prosperity, the average author in the United States doesn't live on Easy Street. He or she earns less than \$5,000 a year from writing, and has to make ends meet with the help of other jobs — or a working spouse.

who had had at least one book published.
The survey notes that there is a great earnings gulf. There are writers living on the poverty level, and others, in the top 10 percent, making \$45,000 or more a year. Those in the top 5 percent have incomes of \$80,000 or beyond.

of \$4.90 — and half of the authors made less.
Professional authors survived because almost half held jobs in addition to writing. These had incomes from writing of about \$2,600 a year, which they attributed to lack of writing time.

2. Limited full-timers (18 percent) report spending no more than 25 hours a week writing and hold no other regular paid job.
3. Committed part-timers (13 percent) hold paid jobs other than freelance writing, yet average 25 or more hours a week writing.

The categories are not rigid. One author commented on the survey questionnaire, "I work (that is, hold another job) only when I have to." Just a few months earlier, he would have been considered a full-timer; when the survey was made, he had become a part-timer.

other research facilities and, sometimes, collegial encouragement."
When asked, "If you could at least match your present total income by writing full-time, would you drop your other work?" 46 percent responded "yes" and 22 percent replied "possibly."

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Thus, authors reported median personal incomes of \$27,000, which included writing, professional payments, salaries, return from investments (including those jointly held with a spouse), pensions and Social Security. The median family total for all authors was \$38,000. Half of the authors in the survey had spouses with jobs.

LONDON — Merce Cunningham's return to London with his dance company led off the "American Dance Season" at Sadler's Wells Theater.

by his latest work, "Gallopade," which premiered at Sadler's Wells.

graphic invention in a less frivolous mood. The title alludes to the ingenious ways in which the eight dancers at the start are exchanged for seven others; the subtle greens and greys of costumes by Jasper Johns are exchanged for rose and lilac tints, and the measured pace of the initial movement is exchanged for increasingly lively sequences, especially for the women.



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Dance in London
Cunningham Inventive, Music Crude

By Noel Goodwin
International Herald Tribune
LONDON — Merce Cunningham's return to London with his dance company led off the "American Dance Season" at Sadler's Wells Theater.

Bearing such whimsical subtitles for its different sections as "The Bed-Ridden Hop and Chess Game" or "L'Amour and the Bounce Dance," it is a cheerfully lighthearted sequence of playful dances (the chess game bit involves the men lifting their partners to displace others), which is continuously diverting to watch. Mark Lancaster's costumes are gaudy belted shirts over tights, all in different colors, and Takehisa Kosugi manipulates a battery of electronic effects.

Also new is "Exchange," a longer work with sustained choreo-



Eszter Kovács as Brünnhilde in the final scene of the "Ring."

Opera
Lyons Stages Full 'Ring'

By David Stevens
International Herald Tribune
LYONS — The Lyons Opera has both ended its season and begun the city's annual festival with a complete cycle of Wagner's "Ring" tetralogy, performed in the regulation Bayreuth time span of six days.

dramas, was the lack of any sense of presence of the Rhine, and at the end Hagen was not swept away in the water but just seemed to sit down and sulk because he could not have the ring.

It will therefore be of particular interest to discover what results Cunningham and Cage together will obtain when they return to London in late August to direct for the first time the International Dance Course for Professional Choreographers and Composers at the University of Surrey campus Guildford. Now funded by member states of the European Economic Community, its prime purpose since it was instituted in 1975 is to promote closer creative collaboration between choreographers and composers for their mutual benefit.

It was a joint project with Lyons, where the performances were in the opera house. Each company produced two works, but after a change in management Strasbourg seems to have lost interest in a complete cycle. Lyons, however, began in late April to remount the four music dramas, giving each one three performances and winding up with the full cycle.

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Chéreau's production, with Richard Peduzzi's sets and Jacques Schmidt's costumes, is rich in theatrical imagination (the shipwreck scene brought the house down) and hard-bitten in its view of the characters. The huge and excellent cast is headed by Gérard Desarthe, constantly onstage as a Peer Gynt who goes through various stages of disorientation to final collapse, and the imitable Maria Casarès as his mother, Asta, tiny but of great tensile strength. In place of Grieg, Florencio Carpi's offstage chamber music seemed right in this context.

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BUSINESS NEWS BRIEFS

Fujitsu Reported to Market Siemens Computers

TOKYO — Fujitsu has reached basic agreement with Siemens of West Germany to supply large-scale computer systems for sale under Siemens' brand name in the West German market, informed sources said on Thursday.

The Japanese computer manufacturer declined to comment, but the sources said the computers they agreed to supply are the latest models of Facom M-380 and M-382 developed by Fujitsu. They said shipments are likely to begin early next year.

Fujitsu said separately that it has concluded a contract to supply Burroughs with facsimile equipment worth about \$30 million over three or four years beginning in November. The equipment will be sold in the United States under the Burroughs brand name. Fujitsu said the high-speed facsimile equipment has been developed specially for export, but it refused to disclose the shipment volume.

Allied Plans Sale of 2 Canadian Subsidiaries

NEW YORK — Allied Corp. announced on Thursday that it would sell its two Canadian oil and gas subsidiaries to Husky Oil Operations Ltd. and Drummond Petroleum Ltd. The sale was viewed as continuing a trend that has seen other American companies sell their Canadian oil and gas properties to Canadian concerns.

Selling Uno-Tex Petroleum Corp. to Husky and Union Texas of Canada Ltd. to Drummond would bring Allied a total of \$391.3 million. The sales are contingent on government approvals and certain unspecified conditions that Allied said it expected to clear up within 60 days.

The sales of the Canadian subsidiaries had been expected since April, when Allied — until recently known as Allied Chemical Corp. — said that it would invite bids. The eventual winning bids amounted to \$307.6 million from Husky for Uno-Tex and \$83.7 million for Union Texas from Drummond, a small company.

Exxon, Mobil Are Said to Drop Qatar Gas Bids

DOHA, Qatar — Mobil and Exxon have dropped out of an international competition for a 20 percent partnership with Qatar to exploit its natural gas reserves, a senior Qatari official said.

However, the deputy managing director of Qatar General Petroleum Corp., Sheikh Rashid bin Owaid al-Thani, told the weekly Gulf Times that two other U.S. concerns had written expressing interest in the \$4-billion project.

Sheikh Rashid did not identify the two companies but said that four other companies vying for the project were British Petroleum, Compagnie Francaise des Petroles, Shell Oil and Wintershall of West Germany. The project involves a gas-gathering system and pipelines to an offshore field.

Tosco's Bid for a Restraining Order Denied

LOS ANGELES — The request of Tosco Corp. that a Denver land developer, Kenneth Good, be prohibited from further purchases of the company's stock has been denied by a U.S. district court judge.

Mr. Good, who already owns 7 percent of Tosco's stock and has disclosed his intention to seek control of the company, will be permitted to resume his stock purchases after 30 days under federal takeover laws. Judge Robert Takasugi said that he found no evidence that Mr. Good had violated the disclosure guidelines of the Securities and Exchange Commission when making his original stock purchases.

Westinghouse in Settlement in Uranium Case

PITTSBURGH — Westinghouse Electric said that it has reached an out-of-court settlement with the last of the 29 defendants in an anti-trust suit over uranium prices that it had filed almost five years ago.

The terms of the settlement were withheld. Westinghouse filed the suit after the price of uranium rose from 38 a pound to \$43 between 1973 and 1975 when it claimed that 29 domestic and foreign uranium producers had violated anti-trust laws by fixing prices.

Westinghouse said the settlements had been reached out of court for complex terms involving cash payments and transfers of uranium.

Swiss House to Consider Tax on Fiduciary Deposits

BERN — The Swiss lower house Parliament voted Thursday to send a detailed consideration to a government proposal to impose a 5 percent tax on fiduciary deposits.

A fiduciary account belongs to a non-resident but is held in the name of and managed by a Swiss bank.

Such earnings are currently not taxed. Bond dealers said the introduction of a tax on earnings from fiduciary deposits would probably send banks to raise interest rates, especially on customer time deposits.

They said this would have a negative effect on the bond market. Earlier this year the upper house parliament decided against considering the tax proposal.

The lower house now has the task of returning the bill to the upper house or having its substance debated in a lower house session. The Socialist Party, which tends to submit an initiative to reduce banking secrecy and banks' participation in industry to public referendum in a year or two, voted in favor of considering the tax Thursday.

Most Catholic deputies and a few members of other conservative parties also voted in favor, despite opposition by their party leadership. Thursday's vote means the government has at least ensured the fiduciary tax plan will be debated in substance in Parliament.

But political sources pointed out that a series of negative votes over the past year in the upper house and in various parliamentary commissions leaves considerable doubt whether the plan eventually will be approved.

It has been opposed by banks on the ground they would lose their fiduciary business to competition abroad.

Foreign bonds eased on news of the lower house action, bond dealers said. While recently issued foreign Swiss franc bonds, traded in an unofficial pre-Bourse market, had held relatively steady, officially listed seasoned bonds were slipping in later trading, they said.

COMPANY REPORTS

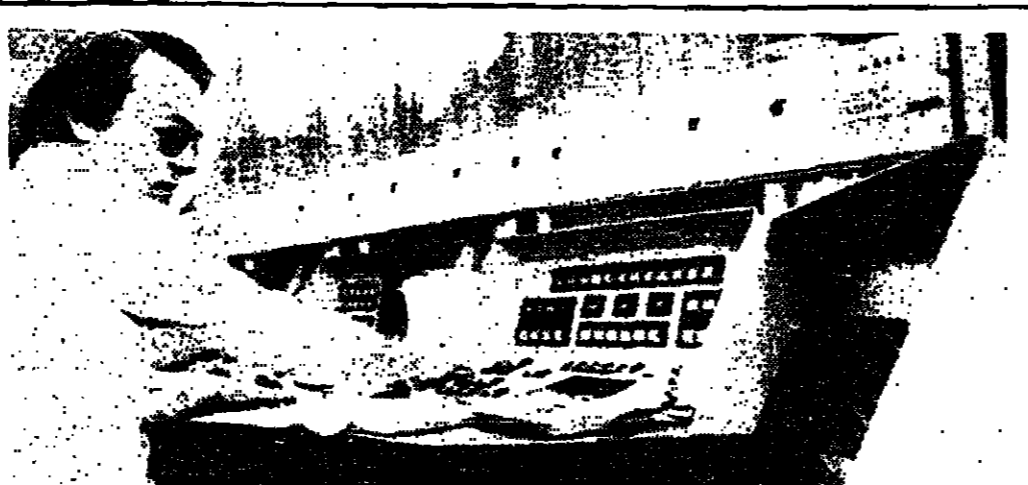
Revenue and profits, in millions, are in local currencies unless otherwise indicated.

Table with columns for United States, American Tel. & Tel., and other companies with revenue and profit figures.

CURRENCY RATES

Bank exchange rates for June 18, 1981, excluding bank service charges.

Table showing currency rates for various countries including Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Kuwait, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, and USA.



A controller monitors oil in the Trans-Alaska Pipeline. Energy experts believe massive domestic production may help the United States become independent of foreign oil by 2000.

U.S. Oil Independence Seen

By Joanne Omang, Washington Post Service

WASHINGTON — Although some hardly dare believe it, a number of respected energy analysts are talking of an end to U.S. oil imports before the year 2000.

The new statistics are loaded with caveats — among them no Mideast wars or Arab embargoes — and often denounced by other researchers, but even critics agree that import cuts will be drastic enough by the 1990s to at least end U.S. reliance on the Organization of Petroleum Exporting Countries.

The vision of total oil independence is non-ideological, coming both from conservative thinkers such as Milton Copulos of the Washington-based Heritage Foundation and from more liberal theoreticians such as Henry Kelly, a former associate director of the Department of Energy's Solar Energy Research Institute, now with the Congressional Office of Technology Assessment.

Even the Department of Energy sees the 21st century dawning with imports at one-third current levels, without any extraordinary government policy shifts.

The major dissenters are big oil companies such as Exxon, whose executives see imports holding roughly steady into the next century, and conservationists who fear that the end of federal help will cripple the energy-saving trend.

Although the vision of an energy self-sufficient nation is by no means guaranteed and far from unanimous, its proponents say it will result from three trends: unprecedented domestic energy conservation, soaring oil drilling rates at home and a domestic fleet of automobiles that get up to 55 miles per gallon of gasoline. It is the first time that the notion of import independence has been considered without the assumption of a major social transformation.

Energy independence has been a subject of national discussion since the Mideast oil embargo — and often denounced by other researchers, but even critics agree that import cuts will be drastic enough by the 1990s to at least end U.S. reliance on the Organization of Petroleum Exporting Countries.

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Big Board Prices Finish Lower

NEW YORK — Prices on the New York Stock Exchange closed sharply lower Thursday as investors were concerned that the Federal Reserve's tight monetary policy will push interest rates still higher.

"Interest rates are the whole story," said an analyst in describing the market decline. IBM cancelled a \$250 million debt offering because of market conditions and dropped 1 point to 57 1/2. The federal funds rate — for reserves that banks lend each other on a short-term basis, often overnight — was as high as 23 percent from 19% percent at the opening. Bell, and Chemical and Chase Manhattan raised their broker loan rates, to 20 percent and 21 percent respectively.

The Dow Jones industrial average fell 11.41 points to close at 995.15; volume dropped to 48.40 million shares. Declines led advances by 1,111 to 432.

Analysts predicted the upswing in the federal funds rate to a combination of factors, including a shift in the distribution of reserves caused by corporate tax payments earlier in the week.

Yields on short-term money market interest rates rose sharply due to continued upward pressure on the federal funds rate, dealers said.

The dollar closed sharply higher on the rise in the federal funds rate, dealers said, posting gains against major European currencies in its best performance of the week. In London, the pound was worth \$1.97825 compared with \$1.9950 Wednesday.

Major New York banks raised their broker loan rates Thursday to as high as 21 percent. Economists said that although major banks raised broker loan rates, prime rates will not necessarily follow.

The broker loan rate is the interest that banks charge for funds they lend brokers to buy or carry securities, finance underwriting of new issues or carry their customers' margin accounts.

Chase Manhattan Bank, the third-largest in the nation, raised its broker loan rate from 20 percent to 21 percent; Chemical Bank, ranked sixth in size by assets, raised its rate from 19 percent to 20 percent.

The prime rate, most banks' base lending rate, has remained at 20 percent all month at most major U.S. banks.

All financial markets were closed Thursday in West Germany for a national holiday.

Stockholders were offered one new share for every seven held at a price of 125 pence per share initially and the balance on Dec. 2, 1981. They will also be able to buy one other share for every nine held at a price of 250 pence, with the extra money going to the Treasury and the Bank of England.

BP Seeking £600 Million With Record Stock Issue

From Agency Dispatches LONDON — British Petroleum called on its shareholders Thursday for £600 million of new capital in the largest proposed sale of new stock ever by a British or U.S. company.

BP ended a week of speculation by asking its shareholders to finance "significant new investment" at a time of slumping profits in its oil and chemical divisions.

BP said the investment would include additional oilfield development and exploration as well as new areas, such as gas, minerals, coal and nutrition. The relative importance of its traditional oil business is expected to decline.

The stock is offered well below the current market value, thereby assuring its sale, officials said. The right to buy the stock can be sold by stockholders who do not want additional shares, thus further assuring the issue will be sold.

The British government and the Bank of England, which respectively own 25.01 percent and 19.6 percent of BP, said they will not exercise their rights to the shares because they would have to be paid for by inflationary borrowing.

Their allotment will be offered to other shareholders, thus cutting the state's interest in BP, the world's sixth-largest industrial company, from about 45 percent to 35 percent.

Traded on the NYSE BP asked its investors to take up 226.86 million new shares at 275 pence, or about \$5.50 per share. The new shares will bring in £524 million, or about £600 million after capital duty and other expenses.

BP is traded on the New York Stock Exchange as well, with one depository receipt equaling four shares.

BP said the rights issue is being underwritten by Lazard Freres, Morgan Grenfell and Henry Schroder Wagg. Brokers to the issue are Scrimgeour, Kemp-Ge, Howe Govett and Rowe and Pittman.

The offer will be available to BP shareholders in the United States and Canada, including holders of U.S. depository receipts issued by Morgan Guaranty Trust, it added.

Analysts here said BP's timing was poor in marketing the rights issue because of the already depressed BP share price and the company's widely recognized 1981 cash flow squeeze.

They said the issue will cause market indigestion in BP shares for some time. Anthony Maybrey of the brokerage house of Gilbert Elliott said he had expected BP to announce funding plans made up of straight debt and a convertible bond rights issue.

This route, had it been taken, would have involved issuing less equity, Mr. Maybrey said.

The adverse share price impact would have been reduced with such a plan, he added. Mr. Maybrey said he was also disappointed with the diversification plans described in the BP rights statement.

Stockholders were offered one new share for every seven held at a price of 125 pence per share initially and the balance on Dec. 2, 1981. They will also be able to buy one other share for every nine held at a price of 250 pence, with the extra money going to the Treasury and the Bank of England.

Both prices are well below the current market price for BP, which closed at 330 pence on the London Stock Exchange Thursday after the announcement.

Major BP holdings include a majority interest in Standard Oil of Ohio, with its rich Alaskan oil assets, and the Forties Field in the North Sea.

Last week, American Telephone & Telegraph sold \$1.006 billion in new stock, a record for any U.S. company. The previous record issue of new shares by a British company was £230 million in 1976 by Imperial Chemical Industries.

Australian Rights Issue PERTH (Reuters) — BP's affiliate, Seltrust Holdings, will offer a rights issue of about 50 million Australian dollars (\$57 million) within the next two months, Seltrust Chairman J.P. Du Cane told the annual meeting Thursday.

The issue is needed to repay short-term loans and to raise the capital base to support further borrowings to cover forecast requirements through most of 1982, he said.

WASHINGTON — The U.S. economy wilted in the spring and would probably show no growth in the current quarter, Commerce Department sources said Thursday. But the officials said the data indicated that inflation had also eased.

Separately, the department announced that the U.S. recorded a \$3.1 billion surplus in its current account in the first quarter following a revised \$1.4 billion surplus in the 1980 fourth quarter.

The projections on economic growth came as the Commerce Department was releasing new revisions showing that the gross national product, even after being adjusted for inflation, grew at a robust annual rate of 8.6 percent in the January-March quarter.

The annual growth rate for real GNP — the inflation-adjusted value of the nation's goods and services — was revised upward from 8.4 percent and was the biggest quarterly gain since early 1978.

Inflation during the first quarter rose at an annual rate of 9.8 percent, as measured by GNP-connected figures.

Shortly after the GNP report was released, Commerce's acting chief economist, William Cox, issued a statement saying real GNP "will show little change" in the current quarter.

Cox said that estimate was "based on fragmentary information" for the quarter, which is now more than two-thirds over, and he declined to release the exact number for what Commerce calls its "flash" GNP estimate.

However, other sources, asking not to be identified, said the estimate shows a no growth. The estimate also shows an annual inflation rate of 6.1 percent in the second quarter, as measured by the broadly based GNP implicit price deflator.

Initially, the department set the fourth quarter current account surplus at \$687 million. Because of revisions, the department now estimates that the United States registered a \$3.72 billion surplus in 1980, instead of \$118 million as reported earlier.

The first quarter surplus was attributable to declines in the merchandise trade deficit, net service receipts, and net unilateral transfers. The merchandise trade deficit fell to \$4.6 billion in the first quarter from \$5.6 billion in the final three months of 1980.

The current accounts balance was revised upward for each of last year's four quarters. During the first half of 1980, the department said, the United States recorded a current account deficit of \$2.6 billion, instead of \$5.1 billion. During the second half of the year, the surplus was put at \$6.4 billion, instead of \$5.2 billion.

U.S. Says Economy Stagnant in Spring

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Advertisement for Bulk Oil Holding AG, featuring the Bulk Oil logo and details about U.S. \$40,000,000 term loan for subsidiaries of Bulk Oil Holding AG, including Jasmine Marine Limited and Orchid Marine Limited. The ad is arranged and provided by The Chase Manhattan Bank, N.A.

Advertisement for Fujitec Co., Ltd. (Fujitec Kabushiki Kaisha) seeking a General Manager or Administration and Finance Manager. The ad lists qualifications such as being Swiss, 33, single, and having speaking skills in French, German, English, Portuguese, Italian, and knowledge of Spanish. It also mentions business experience in Switzerland, Australia, Brazil, and Italy, and involvement in joint ventures and feasibility studies. The ad is for 5,000,000 shares of common stock, evidenced by European Depositary Receipts, with an issue price of U.S. \$3.139 per share. The ad is arranged and provided by Nomura International Limited, Kleinwort, Benson Limited, The Nikko Securities Co., (Europe) Ltd., and Pierson, Holding & Pierson N.V.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only. 18th June, 1981

Vast Expansion of Venture Capital Business Results in Growing Pains

By Andrew Pollack

New York Times Service
NEW YORK — The venture capital business is booming, but Paul M. Wythes, a partner in Sutter Hill Ventures of California, is not all that happy about it. Venture capitalists, he says, are paying a lot more to invest in young companies and are being pressed to make quick decisions in order not to miss an opportunity. "They're writing a check a lot faster," added Mr. Wythes, explaining that start-up companies are able to pit investment firms such as his against one another. The underlying reason for these changes in the venture capital business, Mr. Wythes and others say, is that there is more money around than there are opportunities for investment. "Now there are so many people out there with capital to invest that the initiative seems to have gone from the entrepreneur looking for money to the money looking for entrepreneurs," said W.J. Sanders 3d, the chairman of Advanced Micro Devices, a California semiconductor company. Indeed, the venture capital industry is awash in money. The amount of money given to venture

capital concerns by outside investors, such as pension funds, rose to \$900 million last year from a nadir of \$10 million in 1975, when the industry was in the doldrums.

Capital Gains Change
 At the same time the amount of money invested by venture capitalists in smaller businesses rose to \$1 billion from \$250 million in 1975, according to the Venture Capital Journal, an industry publication. Investments by venture capital companies come not only from money from outside investors but also from the income from their existing investments.

Virtually all the growth has come since 1978, when the capital gains tax was reduced to a maximum rate of 28 percent, from 49 percent, allowing long-term investors to keep more of their winnings.

Another factor contributing to the gain is that the public's hunger for technology stocks has made it easy for young companies to go public at high price-earnings ratios, virtually insuring that a venture capital company will recoup its investment quickly. Also, equity in a young company is considered one of the few investments that can outrun inflation.

In addition to the increase in overall spending, a larger percentage of the money is being spent on start-up companies, as opposed to additional financing for new companies. A survey by the National Venture Capital Association, the industry lobbying organization, found that start-ups accounted for 42 percent of the new investments in 1980, up from 29 percent in 1975. That has created a demand for people to man the new operations.

Active Recruiting

Venture capitalists are taking a more aggressive role in forming companies, rather than waiting for an entrepreneur to come along seeking backing. "It's a term that's just beginning," said Stanley L. Pratt, publisher of the Venture Capital Journal.

The recruiting by venture capitalists of people to form companies is especially prevalent in the biotechnology industry. Whereas the electronics industry has a supply of experienced entrepreneurs, most of the experts in fields such as genetic engineering are in universities and research laboratories.

When T.A. Associates of Boston

and the Inco Securities decided there was a market opportunity for specific types of pure antibodies, which have a potential for disease treatment and diagnosis, they did not find anyone they considered worth investing in at a price they felt like paying, according to C. Kevin Landry, a partner in T.A. Associates. So the venture capital concerns started calling top scientists in the field.

The result was Immunogen, a company formed earlier this year. "It's hardly a company; it has no real business management," Mr. Landry said. "I'm the president and treasurer."

The company will start by financing research directed by a Nobel laureate in physiology and medicine, Dr. Baruj Benacerraf of the Sidney Farber Cancer Institute in Boston, though he will not be an employee of the new company. Eventually more scientists and a management team will be recruited, Mr. Landry added.

A slightly different approach is being taken by Sutter Hill. It recently hired the former western marketing manager of Cummins Engine. He will look for investment opportunities and, when he finds one, Sutter Hill will back him in forming a company. "We're warehousing him," Mr. Wythes explained.

Headhunting Issue

The new aggressiveness on the part of venture capital concerns puts the existing high-technology companies in California's Silicon Valley area were formed by people who broke away from established companies

and received backing from venture capitalists in the late 1960s.

Now these same companies are worried about losing key people from what some have termed "headhunting" by venture capitalists and by recent start-up companies. In some cases this has strained relationships between the old round of entrepreneurs and the venture capitalists.

Intel, a semiconductor company, is suing former employees who broke away to form Seeq Inc., charging them with stealing trade secrets. It is also suing the venture capitalists that Intel charged, "induced" the employees to leave. The awkwardness of the situation is illustrated by the fact that one of those venture concerns, — Kleiner, Perkins, Caufield and Byers II — is owned in part by Gordon Moore, chairman of Intel, and William H. Davidow, senior vice president and director of corporate marketing.

Venture capitalists insist that there is nothing wrong with recruiting people. "It's just like Exxon deciding to hire someone from Mobil," said Craig Taylor of Asset Management, one of a group of venture companies that formed a new genetic engineering company, Applied Molecular Genetics, and hired a scientist away from Abbott Laboratories to run it. Not everyone thinks there is too

much venture capital around. "There's certainly more of it than there was four, five, six years ago, but I think there was a lack of it then," said James R. Swartz, a partner in Adler & Co. of New York. The membership of the National Venture Capital Association has grown to 107 from 69 in 1977.

The abundance of money, some argue, bodes well for the future of innovation in the United States because it may prompt latent entrepreneurs with good ideas to develop their concepts in a new company.

But others in the venture capital business say the rush of money almost assures that the future profits of the venture capitalists will decline. They point to the following factors:

- Some of the companies being formed, particularly in genetic engineering, do not have solid business plans or solid business management, but are merely an agglomeration of research projects, said Sieve Zimmer, a biotechnology analyst for Eberstadt & Co.
- Certain fields might become overcrowded because of an influx of new companies.
- Prices being paid for a stake in a company are higher than ever, making it less likely that venture capitalists will earn the 5-to-1 or 10-to-1 return on their investment they characteristically expect.

As long as the market holds up for companies going public, however, venture investing will remain a good business. "Somebody who overpaid a year ago looks like a

hero today," said Mr. Landry of T.A. Associates. He added, however, that "the new-issue market has to end sometime and I think that's not too far away."

U.S. Oil Independence Seen by 2000

(Continued from Page 7)

said Mr. Copulos. "That startled everybody and now all bets are off."

He predicted a 15 percent annual decline in gasoline use over the next four years as 1969 to 1976 models are traded in for higher mileage cars. New technology will bring more gasoline out of every barrel of crude while oil users turn more to different fuels. "The general trend toward conservation has been consistently underrated," Mr. Copulos said.

Increased Drilling

At the same time, the current upsurge in oil-well drilling will produce a "very sharp increase" in domestic oil production, Mr. Copulos said.

Successful domestic oil drilling in the first quarter of 1981 soared by 35 percent over last year's rate, according to the American Petroleum Institute, largely in developing known reserves. But there were 25 percent more wells in new territory last year, and the total number of oil and gas wells and dry holes is already at 15,614 — an increase of 18.7 percent over 1980 figures.

Mr. Kelly sees continued heavy conservation as key to an import-free future. "There are a lot of different (energy source) combinations but it's certainly possible to get oil imports down to zero" by the year 2000, he said in an interview. The Reagan administration filled nearly all Department of Energy programs boosting conservation, arguing that price alone is the best incentive.

His scenario is based on continued energy-saving in old offices and homes: caulking, insulation

and storm windows, and new, energy-efficient furnaces, refrigerators and other large appliances when old ones wear out. These savings free natural gas for use in industry, displacing oil there, Kelly said. Cuts in electricity consumption reduce utilities' need for the oil burners they switch to during peak electricity demand periods.

Automobiles could be getting 60 miles per gallon by 2000, and with a national average of 55 miles per gallon, 3 million barrels of oil would be saved a day, Mr. Kelly said. The major question mark here, according to Colleen Belli of General Motors Technical Center in Warren, Mich., is consumer demand.

Federal regulations will require 1985 autos to get 27.5 mpg, but demand for that, she said, she said: GM cars will average 31 mpg by 1985 and 35 mpg in 1990. "Certainly we can achieve 55 mpg, but we'd have to sell quite a few at the small end to get that average."

At Amoco, chief economist Ted Eck sees late-'90s imports at around 2 million barrels daily, calling that "a comfortable number because you can envision all of it coming from the Western hemisphere. We would no longer be strategically exposed." The idea of a 55 mile-per-gallon auto fleet by then is "categorically impossible," and 45 mpg is more reasonable, he said.

The biggest single factor will be business tax policy, Mr. Eck said, because 50 percent of U.S. energy is consumed by industries, businesses and cars and trucks in commercial service. Major critics of the low-import scenario include Exxon, which forecasts a return by 1990 to the

old peak of 8.8 million barrels a day and a decline to the end of the century to 4.7 million barrels, "depending on the level of synthetic liquid (fuel) production," a spokesman said.

Conservationists also doubt that zero imports can occur with zero federal help for energy savers, because of continuing inflation. "Business as usual will cut imports only 35 percent," said Robert H. Williams of Princeton University's Center for Energy and Environmental Studies. "Only investments in energy efficiency will bring inflation under control."

Japan Considers Cutback in Oil

TOKYO — The Japanese International Trade and Industry Ministry said Thursday it is studying plans for a cutback in oil refining beginning next month, the result of a sharp drop in demand.

The official oil supply-demand outlook between April and September this year projects a 3.5 percent decrease in demand for oil products compared with a year earlier. In addition, a recent ministry survey of oil refineries indicated demand in April and May was 13 percent below the year-ago level.

The main reasons for the decline include a delayed recovery of leading Japanese industries from an economic slowdown and rapid progress in a shift from oil to coal and other alternative energy sources, the ministry said.


BELL CANADA Appointment



Bruce H. Tavner has been appointed Vice-President (International), Bell Canada and Chairman of the Board of Directors of Bell Canada International. He succeeds D.W. Delaney in both positions. Mr. Tavner, a professional engineer, has been with Bell Canada since 1957 and was General Manager, Network Services, Ontario Provincial, based in Toronto, prior to his new appointment.

NEW ISSUE *All these securities having been sold, this announcement appears as a matter of record only.* May 1981

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1980 Financial Year

The second oil price shock, in 1980, produced a further worsening in the external accounts of the non-producer countries, a marked acceleration of inflation and a pronounced decline of industrial output in most countries. Nevertheless, contrasts between the monetary policies followed (action on interest rates in the United States, quantitative restrictions in Europe) brought about substantial movements on the foreign exchange markets.

Under these conditions, Crédit Lyonnais, despite a necessary and very marked increase in its provisions against risks, achieved - in large measure through the structure of interest rates - a notable improvement in profits.

In the face of constraints through credit ceilings in France...

In France, the improvement of the Bank's working capital (thanks to allocations to surplus, to a State participating loan, and to issues of bonds) made possible, notwithstanding very tight credit ceilings, some increase in loans in France to customers (+ 7.1% at end - 1980 by comparison with the end - 1979 figure). Furthermore, loans in foreign currencies were vigorously expanded, since these, at the end of the year, represented 9.5% of total loans to customers, that is four percentage points more than at the end of the previous year. Expressed in terms of average annual funds, loans granted to customers thus increased by altogether 14.1%, as against 11.4% for the previous year. Due to this fact it was possible almost to satisfy the priority needs of companies, at the cost, it is true, of some decline in personal loans and in advances to individuals, and of a slowdown in the increase of the outstanding net total of home loans (+ 12%), which had expanded considerably in 1979.

...the expansion of international business...

Crédit Lyonnais, in 1980, confirmed its marked interest in international business, and its wish to participate in the increasing opening of the French economy to foreign markets. It further expanded the number of its branches abroad (openings in Cairo and Atlanta), and the activity of these on behalf of customers: the amount of deposit funds collected advanced by 18.6% (as against 13.6% in 1979), and of loans by 66.1%, which thereby increased their share in total loans to the Bank's customers from 14.9% to 20.7%. Parallel with this development of transactions by its direct network, the other, highly diversified establishments which Crédit Lyonnais owns abroad (banking or specialised subsidiaries, associated banks, representative offices...) were very active.

...and strict management and improvement of the interest rate structure...

In terms of the strategy previously defined as regards productivity and dynamic marketing, special attention was paid, in 1980, to policies as regards:

- the efficiency of operating structures: redeployment of facilities of the Paris branches, and a drive for regionalisation in the provinces;
- computerisation: equipment, procedures and reorganisation leading to substantial increases in productivity;
- overheads: strict control of investments and limitation of personnel costs, thanks to a slight reduction in the staff total for France;
- marketing: advertising campaigns and the selective promotion of products and services.

Moreover, the high level of interest rates prevailing in most countries in 1980 made it possible to obtain an increase in the yield on loans exceeding the correlated increase in the cost of deposit funds, as a result of the fact that the most expensive among these were voluntarily less sought after by the Bank than sight deposits which were in the main non-remunerated. This resulted in a slight improvement of the margin in transactions with customers, by 0.35 percentage points in France and 0.31 points abroad.

...made possible a marked improvement in profits.

The simultaneous expansion of margins and the volume of transactions facilitated a rise in net banking income (30.8%); operating profits before depreciation and provisions, and after allowing for the limited increase in overheads (14.4%), advanced from FF 1,515 million in 1979 to FF 3,143 million in 1980. Notwithstanding operating provisions which were three times higher than those for the previous year (due to the increasing number of companies in difficulty), net profits were FF 476.4 million, a rise of 60.2% over the previous year's figure.

Consolidated balance sheet
 A total of FF 446 billion

As at December 31, 1980, the consolidated balance sheet of the Credit Lyonnais Group showed a total of FF 446,328 million.

Customers placed, with the Group, deposit funds amounting to FF 164,175 million, while the Group granted customers loans totalling FF 183,000 million.

Own capital and reserves amounted to FF 5,324 million.

The consolidated net profit in 1980 was FF 626 million, recording an increase, from one year to the next, of 48%.

Assets	Liabilities	Total
446,328	446,328	446,328

On May 19, 1981, the shareholders' representative assembly approved the accounts and decided, at the proposal of the Board of Directors, to distribute a dividend of FF 15 net per share. To this should be added tax already paid to the Treasury of FF 7.50 (tax credit), making a total dividend of FF 22.50 per share.

EUROPARTNERS: BANCO DI ROMA, BANCO HISPANO AMERICANO, COMMERZBANK, CREDIT LYONNAIS

The Annual Report will be available at the end of June. It may be obtained (for its micro-tapes) by direct application to CREDIT LYONNAIS (Relations Publiques) - 19 rue des Saussaies - 75002 Paris

NYSE Nationwide Trading Closing Prices June 18

Tables include the nationwide prices up to the closing on Wall Street.

Main table containing NYSE stock closing prices for various companies, including columns for stock name, price, and volume.

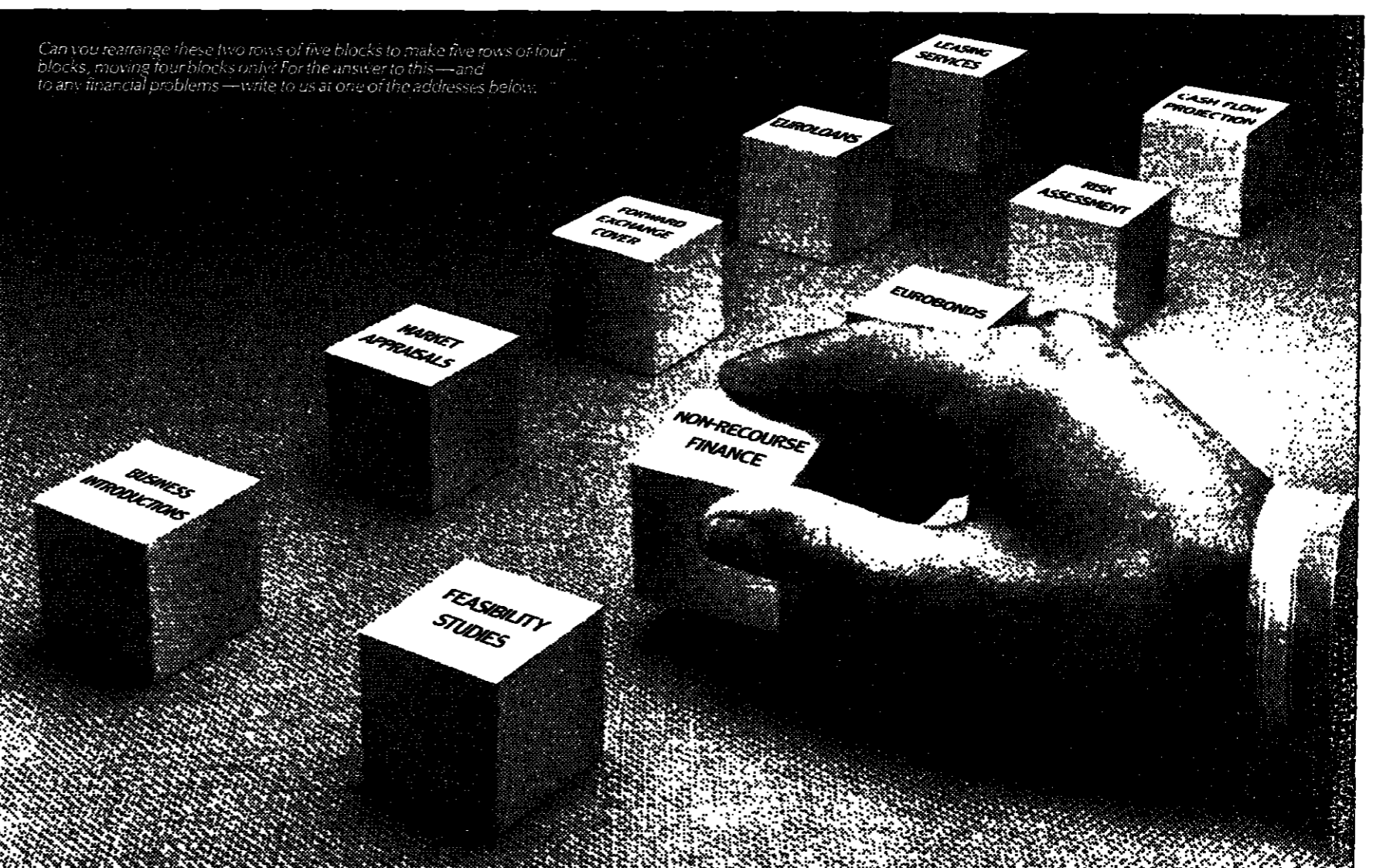
Eurocurrency Interest Rates

Table showing Eurocurrency interest rates for various currencies and maturities.

NOTICE OF PURCHASE THE BOWATER CORPORATION LIMITED 9 3/4% Bonds due 15th May, 1992

NOTICE IS HEREBY GIVEN to bondholders of the above issue... THE BOWATER CORPORATION LIMITED

With Creditanstalt financing a project, you're building on firm foundations.



What are the first things that come to mind when seeking financial backing for a major project? You need to be certain that the source of funding is secure... Creditanstalt - Austria's leading international bank

DREYFUS INTERCONTINENTAL INVESTMENT FUND N.V. DECLARATION OF DIVIDEND. At the Annual General Meeting of the Dreyfus Intercontinental Investment Fund N.V. held in Caracas on May 4, 1981...

Now! Add clout to your marketing and research projects with this brand-new guide to 5,100 current directories. The DIRECTORY OF DIRECTORIES. The first major guide to trade, business and professional directories in over 20 years... covers...

NYSE Nationwide Trading Closing Prices June 18

Tables include the nationwide prices up to the closing on Wall Street.

Table with columns: 12 Month Div, Stock, High, Low, Close, Change. Includes sub-tables for (Continued from Page 11) and various stock listings.

Table with columns: 12 Month Div, Stock, High, Low, Close, Change. Continuation of stock listings.

Table with columns: 12 Month Div, Stock, High, Low, Close, Change. Continuation of stock listings.

Chicago Futures June 18, 1981

Table listing futures contracts for Wheat, Corn, Soybean Meal, Soybean Oil, and Cattle with columns for Open, High, Low, Settle, and Change.

U.S. COMMODITY PRICES

Table listing various commodity prices including Soybean Meal, Soybean Oil, and Cattle with columns for Open, High, Low, Settle, and Change.

Market Summary NYSE Most Active

Table listing market summary statistics including NYSE Most Active, Dow Jones Averages, and Standard & Poors.

International Monetary Market

Table listing international monetary market data including British Pound, Canadian Dollar, and Japanese Yen.

London Metals Market

Table listing London metals market prices for various metals like Gold, Silver, and Platinum.

Cash Prices

Table listing cash prices for various commodities and currencies.

Commodity Indexes

Table listing commodity indexes for various categories like Metals, Grains, and Energy.

Tokyo Exchange

Table listing Tokyo exchange rates for various currencies.

AMEX Index

Table listing AMEX index data.

Paris Commodities

Table listing Paris commodity prices.

Thursday's New Highs and Lows

Table listing new highs and lows for various stocks and commodities.

Europarlament Probes Use of Offices as Hotel

STASBOURG — Leaders of the European Parliament are investigating charges that up to 100 members may be drawing hotel allowances at night, officials have disclosed.

Dutch Police Remove Anti-Nuclear Crowd

ALMELO, Netherlands — Riot police cleared a human blockade of an estimated 500 demonstrators from the main gate of the uranium enrichment plant in this eastern Dutch city Thursday morning.

European Gold Markets

Table listing European gold market prices for various locations like London, Zurich, and Paris.

Gold Options (prices in \$/oz.)

Table listing gold options prices for various contracts and expiration dates.

Valeurs White Weld S.A.

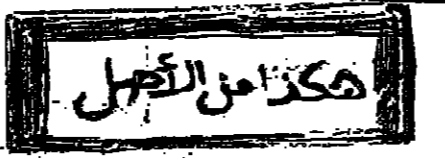
1, Quai de Montebello, 1221 Geneva I, Switzerland. Tel. 31 82 51. Fax 28 2805.

European Options Exchange

Table listing European options exchange data for various contracts.

Flash... Paris Bourse advertisement for June 18, 1981, featuring a table of company performance and financial data.

LONRHO advertisement for International Finance N.V. Curaçao, Netherlands Antilles, featuring bond information and contact details.



AMEX Nationwide Trading Closing Prices June 18

Tables include the nationwide prices up to the closing on Wall Street.

Table of AMEX Nationwide Trading Closing Prices for June 18, 1981. Columns include stock symbols, prices, and volume.

European Stock Markets

June 18, 1981 (Closing prices in local currencies)

Table of European Stock Markets for June 18, 1981, listing Amsterdam, Brussels, Milan, Zurich, London, and Paris with their respective indices and closing prices.

Notice to the Holders of bonds of the issue 8 1/2% - 1976/1986 of US \$23,000,000 made by the EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of bonds amounting to US \$2,875,000 has been purchased for redemption on August 2, 1981.

For Sale United Kingdom Fine Paper Manufacturer Yates Duxbury & Son Limited

This old established business is one of the leading UK Fine Paper manufacturers with its own well-known trade mark. The company occupies a substantial site at Bury in the heart of the industrial North of England and has excellent autorate connections to the rest of the United Kingdom.

REAL ESTATE TO RENT/SHARE CLASSIFIED ADVERTISEMENTS (Continued from Page 15)

Real estate classified advertisements including listings for studios, apartments, and houses in various locations like London, Paris, and the Riviera. Includes sections for employment, travel, and services.

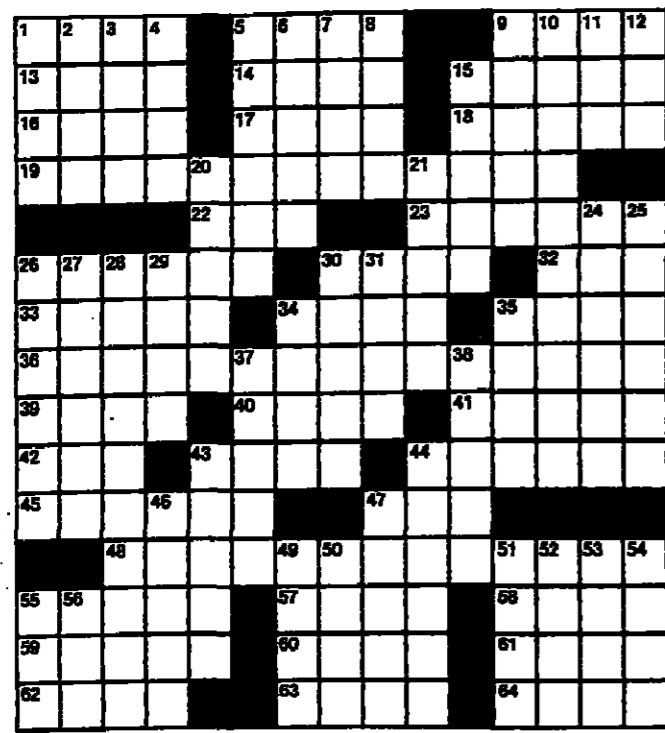
Vertical text on the left margin: 'Europe's Probable Offices at' and 'Dutch Post Anti-Nuc'

JUNE 18, 1981

The world at your finger tips. Herald Tribune incisive in depth. International.

CROSSWORD

By Eugene T. Maleska



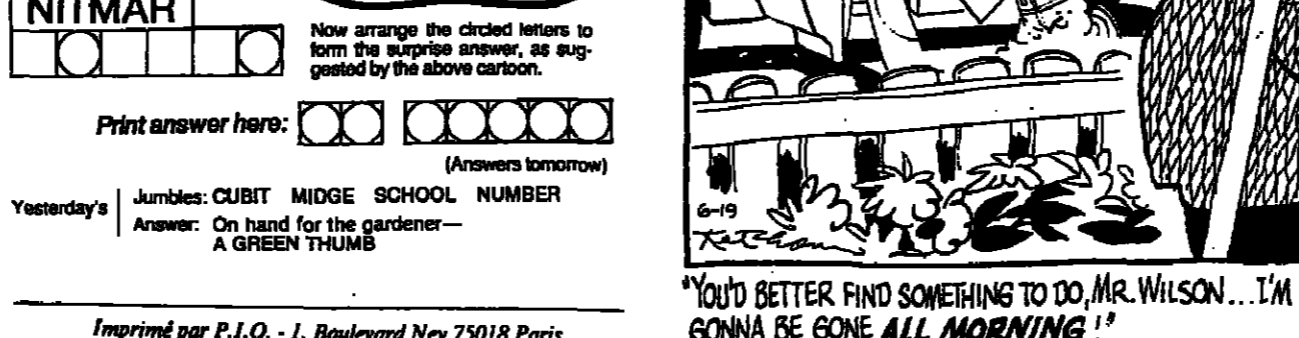
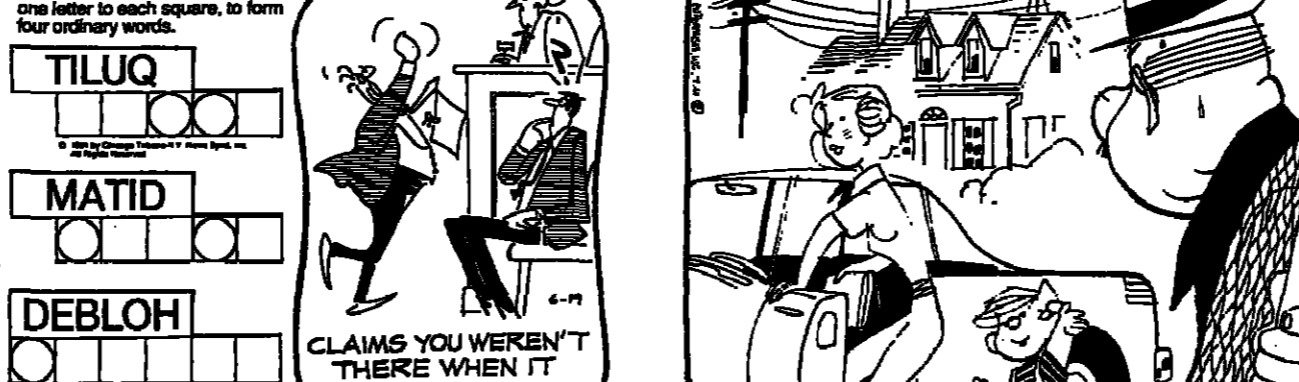
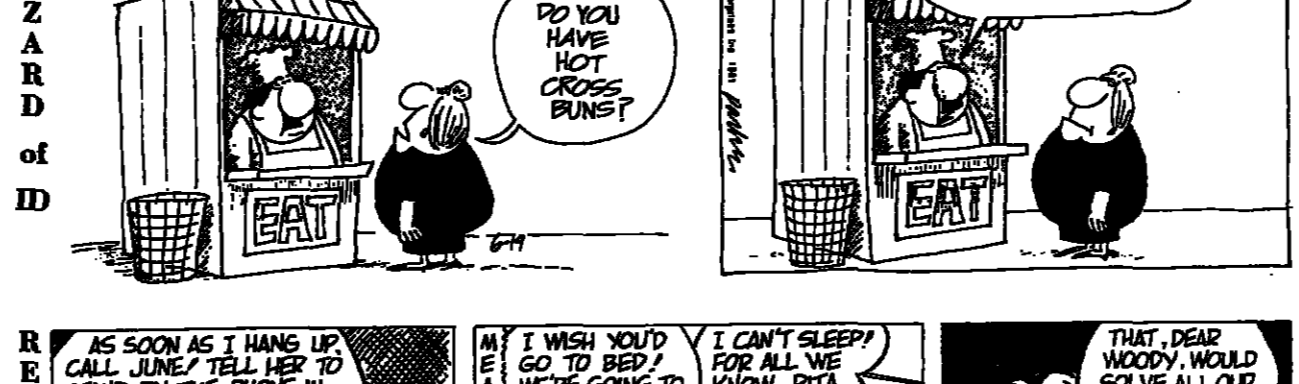
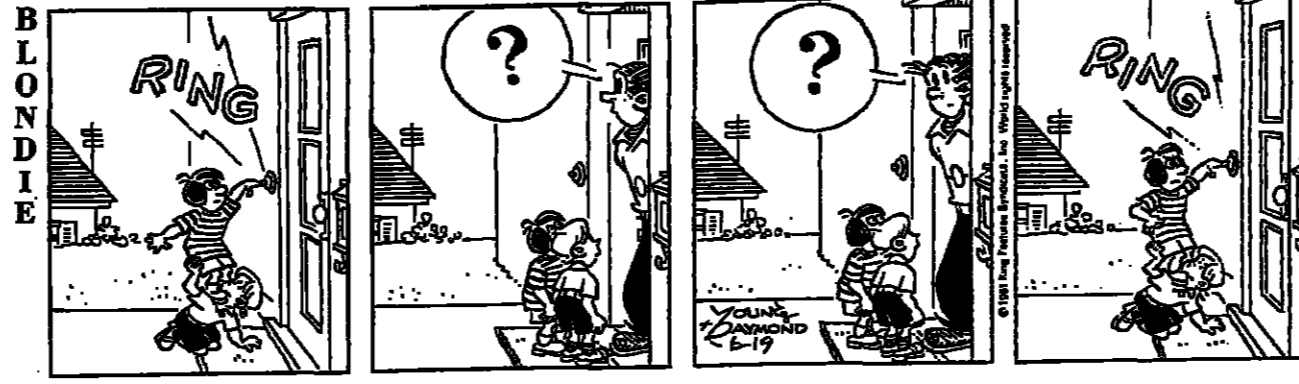
- ACROSS
1 Famed anthropologist
5 Pro
9 Matchlike tool
13 "plaisir!"
14 Highlands hillside
15 Excelsior
16 Character in Jonson's "Sejanus"
17 Sturdy fiber
18 River of the Argentine Forest
19 Climbing spurge of Madagascar
22 Name in Cooperstown
23 "Stamboul Train" author
26 Dismiss
28 "In Our Life"
29 Glasgow
32 "Neither snow, nor rain, nor sleet, nor hail"
33 Roman rooms
34 City on the Dnieper
35 "... unto us"
36 "In a green"
38 Continuous annoyance
39 Mild
40 Yuletide
41 Levels, e.g.
42 Due after sun
43 Prefix with physics
44 Deep red shade
45 Boxholder
47 Abolitionist
48 McCullough novel
55 Ermine
57 June
58 Rail
59 Gallon
60 Behindhand
61 May
62 "Happy"
63 Boeckert play
64 Hart or hind
15 Samless
20 Man in "The Man Without a Country"
21 Gothic arch
24 Bean
25 Gann or Rensselaer
26 Stoolie
27 Gaseous hydrocarbon
28 Headland
29 Erstwhile name of a republic
30 Pennsylvania county
31 Layers
34 Bend or hitch
35 Ancient stringed instrument
37 Supine
38 Rusty of baseball
43 Assemblies
44 Male grayling
46 Opera by Massenet
47 Shopworn
48 Relative of a corona
50 Algerian seaport
51 Chilled
52 Teased
53 Finished
54 Thuban, e.g.
55 Turf
56 La leader

WEATHER

Table with columns for city, high, low, and weather conditions. Includes cities like ALBUQUERQUE, ALBUQUERQUE, ALBUQUERQUE, etc.

ADVERTISEMENT INTERNATIONAL FUNDS

Table listing various international funds with their names and values. Includes ALLIANCE INT'L FUND, BANK JULIUS BAER & CO. LTD., etc.



BOOKS

THE BATTLE FOR PEACE
By Ezer Weizman. 395 pp. Illustrated. \$15.95.
Bantam Books, 666 Fifth Avenue, New York 10019
Reviewed by Norman Corwin

DIPLOMACY has earned a bad reputation over the centuries. Its failures have been more costly than anything else in human history, considering the enormity of the wars that ensued. Even the process has been suspect. "I have discovered the art of deceiving diplomats," said the Italian statesman Cavour. "I speak the truth, and they never believe me." "Lying in state," quipped Oliver Herford. "Mentir et dementir," said a baron in the French foreign office. Lie and deny.
But there is a new kind of diplomacy on token display in former Israeli Defense Minister Ezer Weizman's graphic, utterly fascinating memoir of the Israeli-Egyptian peace treaty. The technique consists of placing cards face up on the green table. Nobody had to lie in the prolonged and precarious confrontations between Israeli and Egyptian negotiators. The truth was awful enough without complicating matters by lying.
Weizman came to his role as main pivot in those negotiations, through extraordinary qualifications: nephew of the first president of Israel; fighter pilot at 18; at 26, air force chief of operations; at 34, commander of the air force; at 43, mastermind of the epic air strike that knocked Egypt out of the Six-Day War; at 52, defense minister. But there was much more to him than a brilliant military record. He was articulate, hard-driving, principled, volatile, candid and, to judge from the sound and sight of him on television, highly charismatic. Obviously these qualities won the trust of an equally forceful adversary across the table, Anwar Sadat.
The common bond between him and Sadat was their insistence on candor: "Sadat always surprised me by his habit of playing with open cards," he writes on page 18, and 267 pages later says of himself, "I always laid my cards face up on the Cabinet table. I said it all, loudly, and not always in the most elegant language. Admitted at one point to keep his mouth shut in a crisis, he found the warning "counterproductive — I opened my mouth wide — I've never found any difficulty doing that."
Weizman dismisses the reader with his outspokenness as apparently he did Sadat and the Egyptian generals and ministers with whom he negotiated. This sometimes led to conflict with fellow Cabinet members at home. "I [sometimes] let my tongue run away with me. My temperament is as fiery as a furnace stoked up to a million degrees." He is frank about his prejudices and limitations: "Anyone who claims that his only aim in life is to serve his people is not telling the truth. Everyone has ambitions, and I am no exception. However, it is vital to find the appropriate balance between personal aspirations and the good of the country, and I have always been aware of how delicate the balance is."
He is candid too, in his appraisals of the men with whom he dealt on both sides of the Suez. He had the highest marks for Egypt's minister of war, Mohammed el-Gamasy: "First class... my admiration grew by the minute... he spoke as an uncompromising patriot, but I believed in his sincerity; if he appeared sensible and open-minded, if there are others like him in Egypt, there's hope of attaining peace, I thought."
Weizman and Sadat enjoyed mutual esteem and even affection. Though they traded hard, and were at times stubborn in their positions, they never became vexed with each other — something that could not be said about either man with respect to their own countrymen. "Ezer," Sadat exclaimed at one point, "Pay attention! I'm talking big business!" This was in response to Weizman's having "come
at him with a slingshot, proposing a direct telephone link between our Southern Command and HQ of his Third Army — and he bombarded me with his heaviest ammunition: exchange of ambassadors; total normalization; commercial relations and tourism."
But Weizman does not permit high regard to obscure the dark side of Sadat — his mercurial nature, his occasional inflexibility, and his capacity for throwing gravel into the peace machinery, as he did by suddenly raising his price at the culminating Camp David conference — a maneuver that nearly wrecked the meeting and almost aborted what might have been the last chance for a peace treaty.
Menachem Begin does not come off nearly so well, although Weizman gives him due credit for large accomplishments. Begin is depicted as "good at harboring grudges," as an embarrassing bore at times during talks with the Egyptians: "In addressing others — including the manner of a teacher talking to his pupils... overbearing." Whereas Sadat wanted to take peace by storm, "Begin preferred to creep toward it inch by inch. He took the dream of peace and ground it down into the fine, dry powder of details, legal clauses and quotes from international law."
Weizman has high praise for Jimmy Carter's dedication to the success of the long drawn-out and fateful Camp David negotiations, but he does not spare criticism of what he considers Carter's shortcomings on the way to that result.
The lowest grade in Weizman's history is given to Secretary General Kurt Waldheim of the United Nations, whom he dismisses as "hostile and chilly; he'd learned nothing and understood less."
There is both irony and drama in the trajectory of Weizman's career, "a raging hawk" and redoubtable foe of the Egyptians, to such respect for Sadat and Gamasy that he came under fire from his own government. "Some [Israeli] ministers related to me as if I were the Egyptian ambassador to Jerusalem."
What makes this book extraordinary is not only the insight into all principal characters, especially Weizman himself, but a sense of witnessing the play-by-play of diplomatic exchange, and the understanding afforded, in depth, of the harsh realities faced by both sides. And there are Weizman's asides to the reader, on such matters as the Decline of the West (nonsense, he says — the West can endure setbacks the Communists could never countenance), on terrorism, and why it is a mistake even to show conciliation or moderation toward it; on Western misconceptions about Arab oil ("anybody who believes oil supplies can be guaranteed by means of pressure on Israel is fooling himself"); on the surprising conclusion that military men may be better at peaceful solutions to problems than their political counterparts. He quotes Gen. Gamasy as saying, early in the process, "The military [negotiators] must not reach a deadlock. We must help our political leaders solve the problems. We must find a way."
That way was ultimately found, and there is now peace between the two former enemies. One of the things that might help to keep that peace would be close readings of "The Battle for Peace" in Jerusalem, Cairo and Washington. However, there is a paragraph midway in the book that makes one realize, with a shudder, why it was so painful for Israel to give up all that Sadat asked for, and why it is so hard for that beleaguered country to relax:
"The Middle East is an unpredictable region. [There are risks in] granting unlimited credit to treaties and agreements. Leaders and regimes rise and fall; there are some whose first act on taking it is to renounce every commitment undertaken by their predecessors."
Gen. Weizman has resigned from the government in Jerusalem. One hopes he will be around if needed.
Norman Corwin, author, screenwriter and teacher wrote this review for the Los Angeles Times.

BRIDGE

THE deal shown in the diagram demonstrates that the combined efforts of the three active players at the table may result in the defeat of an apparently simple contract.
Once South had opened one no-trump, using a 15-17 range that is now popular in some quarters, North felt confident about game. When a Stayman inquiry revealed the spade fit North thought she might be missing a slam, and indeed the North-South card would produce 12 tricks on a good day.
The bad trump split should not have put a 10-trick contract in jeopardy, for all the defense is entitled to score is the club ace and two trump tricks. A club was led to the ace and East shifted to the diamond jack. South took the king and cashed the trump ace, discovering the bad news.
The simplest play at this point for South was to lead hearts, encouraging West to take one ruff. But instead
South led another trump, ducked by West. The seven won in dummy and now South played the ace and king of hearts. East dropped the ten, giving South the comfort of knowing that the nine would score even if the jack was overtaken. The position was now this:
NORTH
+Q8
+J7
+A84
+4
WEST
+K105
+76
+Q87
+8
EAST
+84
+102
+J87
SOUTH
+J9
+73
+8
+RQ
It was apparently impossible for the defense to get more than two tricks, but South found a subtle way to lose three tricks. She thought she could afford to lead the trump queen since the side-suits were well-controlled. The defense quickly demonstrated the error of this course.
West won with the king and led a diamond, forcing the ace from the dummy. It did not matter whether South played clubs or hearts at this point. She chose clubs, and West ruffed the last club winner with the spade ten.
South chose to throw the heart jack from the dummy. She ruffed the diamond return, and was able to overruff in dummy when West ruffed a heart lead. But East scored a diamond trick at the finish to beat the contract. If South had thrown a diamond from the dummy, West's last trump would have scored a decisive ruff of a heart at the 12th trick.
Both sides were vulnerable. The bid:
ding:
South West North East
1.N.T. Pass 2+ Dbl
2+ Pass 4+ Pass
West led the club ten.

